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Supreme Court U.S.
FILED

No. ——

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

ENERCON GMBH,
Petitioner,

v.

UNITED STATES INTERNATIONAL TRADE COMMISSION,
Respondent.

Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Under 19 U.S.C. § 1337(a)(1)(B) can there be a "sale for importation" of foreign-made articles of commerce if their foreign manufacturer at no time transfers ownership in those articles to another entity?

2. Can an oral contract between a foreign corporation and an unrelated United States-domiciled corporation, whereby the former will at an unspecified future date sell to the latter at an undetermined price articles of commerce that it manufactures only abroad, no specimen of which has ever been imported into the United States, impart to the U.S. International Trade Commission *in rem* jurisdiction over those articles under 19 U.S.C. § 1337(a)(1)(B)?

LIST OF ALL PARTIES TO THE PROCEEDING IN THE COURT BELOW

Parties Appellant:

Enercon GmbH
Dreekamp 5
26605 Aurich, Germany
(No parent or subsidiary companies)

The New World Power Corporation
1289 Bridge Road
Skippack, Pennsylvania 19474
(No parent or subsidiary companies)

Party Appellee:

U.S. International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

Intervenor:

Zond Energy Systems, Inc.
444 South Flower Street, Suite 4545
Los Angeles, California 90071-2946

*Parent Companies**:

Enron Wind Corporation
(formerly Zond Corporation)

Enron Renewable Energy Corp.
(sole shareholder in Enron Wind Corporation)

Enron Corp.
(parent company of Enron Renewable Energy Corp.)

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* Taken from the Brief of Intervenor in the Court below, served January 29, 1998.

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PETITION FOR WRIT OF CERTIORARI

CITATIONS TO RELEVANT OPINIONS BELOW

The decision of the Court of Appeals for the Federal Circuit (1a to 18a, *infra*) is officially reported at 151 F.3d 1376 (Fed. Cir. 1998). The November 16, 1998 order of that court denying Petitioner's timely petition for rehearing appears at 19a to 20a, *infra*.

The order of the Respondent U.S. International Trade Commission ("ITC") excluding Petitioner's goods from entry into the United States (21a to 26a, *infra*) was entered August 30, 1996, became final after Presidential review on October 28, 1996, and is not officially reported. Unofficially it was published at 61 Fed. Reg. 47,958 (1996). A further ITC order relating to agency jurisdiction, entered during remand from the Court of Appeals (27a to 47a, *infra*), is neither officially nor unofficially reported. The initial determination of the ITC administrative law judge ("ALJ") was filed May 30, 1996;[1] its observations and fact-findings regarding the issues on which review is sought here (48a to 71a, *infra*) were relied upon by the ITC in issuing the final order referred to above. The initial determination is not officially reported but an unofficial report is available online at 1996 ITC LEXIS 251. An earlier order of the ALJ regarding "jurisdiction" entered October 12, 1995 (72a to 76a, *infra*) is likewise not officially reported, but an unofficial report is available online at 1995 ITC LEXIS 519.

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[1] Much of the ALJ's initial determination relates to issues on which no review by this Court is sought. Ten copies of the public version of the entire initial determination have been lodged with the Clerk of this Court, in addition to the relevant excerpts that appear *infra*, at 48a to 71a.

The issues on which review is sought here do not require consideration of any information being held in confidence under ITC rules; accordingly, no copies of the confidential version of the initial determination have been submitted.

JURISDICTION OF THIS COURT

The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1). The judgment of the Court of Appeals for the Federal Circuit was entered on August 12, 1998, pursuant to the jurisdiction expressly conferred upon that Court by 28 U.S.C. § 1295(a)(6). A timely petition for rehearing was denied by that Court on November 16, 1998 and this Petition is filed within the time period permitted by Rule 13(4) of this Court's Rules.

THE STATUTE INVOLVED

This Petition seeks review of the construction of 19 U.S.C. § 1337(a) adopted by the Court of Appeals for the Federal Circuit in affirming the ITC. The complete text of this statute is reproduced, *infra*, 77a to 78a.

STATEMENT OF THE CASE

Petitioner Enercon GmbH is a German corporation, with a principal place of business in Aurich, Germany, engaged in the manufacture of variable speed wind turbines. It stands undisputed throughout all of the proceedings below that Petitioner has at no time imported into the United States any of its wind turbines or any of their components.

Respondent, the U.S. International Trade Commission, on May 23, 1995, issued a Notice of Investigation, pursuant to 19 U.S.C. § 1337, to Petitioner and an American developer of wind turbine installations (or "farms"), The New World Power Corporation ("NWP"), then based in Lime Rock, Connecticut. The subject of investigation was defined as "Variable Speed Wind Turbines and Components Thereof" manufactured by Petitioner. The Notice was based upon a verified complaint filed by Kenetech Windpower, Inc. of San Francisco, California ("KW"). In its ¶ 4.3, this Complaint alleged, on information and belief, that Petitioner had sold to NWP for importation into the United States up to 80 of its Model E-40 wind

turbines manufactured in Germany and that these machines, if installed and operated in the United States, would infringe certain process claims of two United States patents then owned by KW.[2] KW's verified charge that a sale for importation of Petitioner's German-manufactured wind turbines had been made to NWP rested on inferences largely bottomed on a September 13, 1994 contract (Exhibit 2 to the Complaint) between a partnership of which NWP was the general partner and Texas Utilities Electric Corporation ("TUE"). This contract, the performance of which was conditioned, *inter alia*, upon obtaining permission from the Texas Public Utility Commission ("TPUC") to proceed, required the NWP partnership to erect and operate a facility near Big Spring, Texas, for generating electricity from wind, and to sell the electricity so produced exclusively to TUE at an agreed-upon price. One of its provisions required that all wind turbines in the facility be Enercon Model E-40 wind turbines "[u]nless agreed otherwise by both parties in writing." At the time of the ITC's issuance of the Notice of Investigation, TPUC permission for the Big Spring facility had been applied for, but not acted upon.

Both Petitioner and NWP pleaded in response to ¶ 4.3 of the KW Complaint that no sale of Petitioner's wind turbines to NWP had occurred (Pet. Answer, ¶ 4.3; NWP Answer, ¶ 4.3). Both also pleaded affirmatively that the ITC lacked jurisdiction to proceed against the accused wind turbines and their components.

Petitioner and NWP promptly moved to terminate the investigation under 19 C.F.R. § 210.21 on the ground of lack of jurisdiction because of the lack of either importation into the U.S. or a sale for such importation. The Respondent's Office of Unfair Import Investigations ("OUII") and KW sought deferment of any ruling on this motion pending completion of full discovery. When

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[2] The involved KW patents were sold in early 1997 to Zond Energy Systems, Inc., Intervenor in the court below.

Petitioner and NWP pressed for prompt briefing by the opposing parties and a ruling, Respondent's ALJ peremptorily denied the motion on October 12, 1995 in Order No. 11 (*infra*, 72a-76a) even without any response on the merits of the motion from the opposing parties. Petitioner and NWP thereupon moved for leave of Respondent's ALJ to appeal this ruling, pursuant to 19 C.F.R. § 210.25(b), to the full International Trade Commission on the ground that the question of the Respondent's jurisdiction was a controlling question of law as to which there is substantial ground for difference of opinion, the resolution of which might materially advance completion of the investigation. This motion was also denied by Respondent's ALJ in Order No. 13 dated November 20, 1995.

As suggested by Respondent's ALJ in Order No. 11, Petitioner and NWP further filed, on December 4, 1995, a massive motion pursuant to 19 C.F.R. § 210.18 supported by voluminous deposition testimony, seeking a summary determination that Petitioner had made no sale for importation into the U.S. of its wind turbines. Respondent's ALJ denied this motion in Order No. 18 dated January 26, 1996.

During the period January 31 to February 7, 1996, an evidentiary hearing was held before Respondent's ALJ. Petitioner's Managing Director, Aloys Wobben, testified in person before the ALJ, as well as at a mid-hearing deposition of February 2, 1996, on the question of whether a sale of accused wind turbines had occurred.[3] Without challenge by Respondent's OUII or by KW, he testified that he had told NWP's CEO, John Kuhns, at a personal meeting in Germany near the end of 1995 that Petitioner would not supply to NWP the wind turbines for the Big Spring, Texas project (Tr. 258-260).[4] The ALJ's initial

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[3] Deposition testimony Mr. Wobben had given in July 1995 was also introduced.

[4] Substantial deposition testimony of other witnesses knowledgeable that NWP had not purchased and Petitioner had not sold to

determination conspicuously ignores this important point.[5] When the evidentiary hearing closed, the Big Spring project had still not even received TPUC approval. As noted in Fact Finding II-54 (70a) of Respondent's ALJ (entered May 30, 1996) however, tha approval was given on February 23, 1996.

In his declaration subject to penalty of perjury submitted to the Respondent ITC on August 7, 1996,[6] Jeffery

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NWP any of the accused wind turbines was introduced at the hearing, including August 1995 and January 1996 testimony of Juanita Fromme, Petitioner's Manager of Export Sales (X225-227); August 1995 testimony of Mark Haller, Petitioner's sole U.S. employee (X219-220); August 1995 testimony of both John Kuhns, NWP's CEO (X221-222), and Michael Best, NWP's Executive Vice-President (X213-214); August 1995 testimony of C.W. (Jits) Coleman, NWP's Chief Technical Advisor (X215-216); and September 1995 testimony of C.J. Lees, NWP's Manager of Wind Turbine Operations until a few weeks before his deposition (X223-224).

An important fact testified to by NWP personnel but disregarded by Respondent's ALJ is that, since NWP was never certain that Petitioner's wind turbines would be made available for the Big Spring project, NWP's high-level personnel were at all relevant times careful to maintain close contacts with the executives of certain wind turbine manufacturers that compete with Petitioner and could alternatively supply wind turbine machinery for the Big Spring project. (Kuhns dep. of August 14, 1995, pp. 78-88; Best dep. of August 16, 1995, pp. 178-182; Coleman dep. of August 23, 1995, pp. 39-42).

[5] See, however, Fact Finding II-61, *infra*, 71a (conceding that Mr. Wobben testified at the evidentiary hearing that he had stopped all activities directed at sale of the accused products to NWP or manufacture thereof in the U.S. until he saw the outcome of the legal actions against Petitioner). The opinion below (13a) alleges a nonexistent conflict in testimony between Mr. Kuhns' August 1995 deposition testimony and Mr. Wobben's 1996 hearing testimony regarding their meeting near the end of 1995, about whether Petitioner would sell wind turbines to NWP. But Mr. Kuhns in August 1995 *could not* testify about what he was told by Mr. Wobben at a later time.

[6] This declaration was a part of the second of the two authorized submissions on remedy, bonding and the public interest that Petitioner and NWP made.

Maurer, NWP's Director of Domestic Wind Farm Development, pointed out that in May 1996 when NWP invited seven wind turbine manufacturers, including Petitioner, to bid on the turbines for Big Spring, Texas, Petitioner was the only one who declined to do so, leaving NWP to select a supplier from among the others and obtain TUE's written concurrence on the one chosen.

Respondent's ALJ did not have the benefit of this information as of May 30, 1996, when he filed his initial determination. His opinion and fact-findings (48a to 71a, *infra*) on the issue of whether Petitioner made a sale to NWP, considered in their entirety, conclude that the two parties entered into an oral contract whereby Petitioner would sell wind turbines to NWP at an indeterminate future time for a price to be agreed upon in the future. The conclusion that such a tenuous contract was a sale was expressly posited by the ALJ upon § 2-106(1) of the Uniform Commercial Code (48a-49a), even though that Section's definition of the term "sale"[7] appears to have been ignored.

Petitioner and NWP filed a timely petition for review by the full Respondent Commission, pursuant to 19 C.F.R. § 210.43, of the ALJ's ruling on the ground that a contract to make a sale in the future is not the same as an actual sale. This review was denied, but limited review

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[7] *I.e.*, "A 'sale' consists in the passing of title from the seller to the buyer for a price." Remarkably, the ALJ, the full Respondent Commission and the Court of Appeals uniformly ignored that "consist" is a limiting word meaning "to be comprised or contained" when associated with "in". See *Webster's Encyclopedic Unabridged Dictionary of the English Language* (1989), which further notes that when "consist" or "consists" is followed by "in", the syntactical result is that "something resembling a definition is given."

Given that U.C.C. § 2-106(1) thus establishes "passing of title from the seller to the buyer" as one hallmark of a sale, it is clear that any "contract for sale" under § 2-106(1) that does not effect such a passing of title is *not* a sale, but a mere agreement to agree at a later time on the terms of a sale.

of one patent issue was granted and the parties were also afforded a simultaneous opportunity to brief the issues of remedy, public interest and bonding. On August 30, 1996, the Respondent Commission entered its exclusion order (21a to 26a, *infra*), which became final after Presidential review pursuant to 19 U.S.C. 1337(j) on October 28, 1996.

Petitioner and NWP filed a timely appeal to the Court of Appeals for the Federal Circuit, but because of KW's sale of its patents to Zond Energy Systems, Inc. ("Zond"), the matter was remanded to the Respondent on April 24, 1997 for a determination of Zond's status, if any, on appeal. During the remand, Petitioner moved under 37 C.F.R. § 210.76(2) for dissolution of the exclusion order because of lack of ITC jurisdiction. The Respondent's refusal of the motion appears *infra*, 27a to 47a.

Upon resumption of proceedings before the Court of Appeals, Petitioner and NWP raised, *inter alia*, the issues of whether, as a matter of law, a sale of accused wind turbines had occurred and whether, absent transfer of ownership in accused turbines to NWP, the Respondent Commission acquired *in rem* jurisdiction over them. After briefiing and oral argument, a panel of the Federal Circuit ruled adversely to Petitioner (*infra*, 1a to 18a) and entered its judgment on August 12, 1998.

Petitioner's timely petition for rehearing was denied on November 16, 1998 (*infra*, 19a to 20a).

REASONS WHY THE WRIT SHOULD BE GRANTED

I. THE FEDERAL CIRCUIT'S PRESENT CONFUSION AS TO THE ORDINARY MEANING OF THE TERM "SALE"

In *NSK Ltd. v. United States*, 115 F.3d 965 (Fed. Cir. 1997) the Court below, exercising its exclusive appellate jurisdiction over the United States Court of International Trade conferred by 28 U.S.C. 1295(5), concluded that

in the absence of a statutory definition, the term "sale" or "sold" (as used in 19 U.S.C. §§ 1673 and 1677a(c)) should be given its ordinary meaning. In so doing, it relied upon this Court's general reasoning in *NLRB v. Amax Coal Co.*, 453 U.S. 322, 329 (1981) to the effect that Congressional use in statutes of terms having "accumulated settled meaning" in equity or under common law must be inferred, absent express contrary statutory direction, to have incorporated the settled meaning of those terms. The Federal Circuit then proceeded, based in significant part, on the definitions of "sale" from *Black's Law Dictionary* (6th ed. 1990) and *Webster's Third New International Dictionary* (1986), at 2003 (*NSK*, 115 F.3d at 973), to hold that in its ordinary meaning, a sale "requires both a transfer of ownership to an unrelated party and consideration" (*id.*, 115 F.3d at 974).

In *this* case, another panel of the Federal Circuit, exercising its exclusive appellate jurisdiction to review ITC final orders issued pursuant to 19 U.S.C. § 1337, an authority conferred by 28 U.S.C. 1295(6), remarkably relied upon precisely *the same* two dictionary definitions (*infra*, 9a) to hold oppositely, saying:

> Plainly, the common, or usual meaning of the term sale includes those situations in which a contract has been made between two parties who agree to transfer [at an indeterminate future time] title and possession of specific property for a price [to be agreed upon in the future].[8] (*Id.*)

In other words, the Federal Circuit's position is that for *some* trade purposes typified by 19 U.S.C. §§ 1673 and 1677a(c), there must be a transfer of ownership to an

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[8] The bracketed interpolations reflect the actual facts found by the ITC's ALJ in his opinion and findings of fact adopted by the Respondent ITC in support of its final order. (*See* 58a, *infra*, notes 3 and 4 and accompanying text; 68a-69a, findings of fact II-41 through II-47, especially II-45 and II-47.) Petitioner has not challenged these fact findings at any stage of the proceeding below, nor does it seek to do so now.

unrelated party to effect a sale of goods as the term "sale" is commonly understood—but for *other* trade purposes typified by 19 U.S.C. § 1337, a "sale" of goods, as commonly understood, may be consummated *without* transferring their ownership to another party.

Given the Federal Circuit's sole and exclusive appellate jurisdiction pursuant to 28 U.S.C. §§ 1295(5), (6) and (7) over most (if not all) international trade issues, each of these inconsistent definitions of "sale" may coexist indefinitely and continue to be anomalously characterized as "commonly understood" unless *certiorari* is granted here.

II. TO ARRIVE AT ITS UNORTHODOX DEFINITION OF "SALE", THE PANEL BELOW NOT ONLY ABJURED *NSK*, BUT THE FOUNDATIONAL PRECEDENT FROM THIS COURT

To conclude as it did that the term "sale" in 19 U.S.C. § 1337(a)(1)(B) has a meaning wholly inconsistent with what lawyers and laymen alike have understood the word to mean for centuries, the Federal Circuit panel that decided this case created a smokescreen by citing and quoting (at 7a-8a) this Court's decision in *Chevron, U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). *Chevron* is the cornerstone of *NSK's* methodology for "determining the lawfulness of an agency's construction of a statute", 115 F.3d at 972.[9]

Chevron holds that in the review of an administrative agency's statutory interpretation, a court always confronts two questions, the first of which is "whether Congress has directly spoken to the precise question at issue" (467 U.S. at 843). To resolve that first question courts are to use "traditional tools of statutory construction"; *Id.*, note 9.

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[9] In reviewing on appeal a decision of the Court of International Trade that affirmed or reversed an administrative agency's statutory construction, the Federal Circuit approaches the agency's construction *de novo*; *NSK*, 115 F.3d at 972 and cases cited.

The Federal Circuit panel in this case tacitly rejected Petitioner's position advanced below, that *NSK* was controlling on the disposition of the case both with respect to the meaning of "sale" and the mode of judicial review of an administrative agency's interpretation of a statute.[10] The panel hence elected to finesse the first *Chevron* question and go directly to the second one of whether the agency's statutory construction is "reasonable". The panel below thereby camouflaged the fact that *the precise question decided in NSK is necessarily the very same issue posed here*—namely, what does the term "sale" mean when Congress uses it in a statute without supplying a special definition? The Federal Circuit's *NSK* panel, having readily (and correctly) answered that question, followed *Chevron's* directive that if Congressional intent is clear from examining the statute using traditional statutory construction tools, "that is the end of the matter" (*Chevron*, 467 U.S. at 842). As this Court has put it, the clear intention of Congress "is the law and must be given effect" (*id.*, 467 U.S. at 843, note 9), without regard to any administrative construction of the involved statute.

III. THE PANEL'S REJECTION OF THE REQUIREMENT THAT GOODS ACCUSED UNDER 19 U.S.C. § 1337(a)(1)(B) HAVE MINIMUM CONTACTS WITH THE UNITED STATES IMPERMISSIBLY EXPANDS ITC JURISDICTION

By digressing into the forbidden territory of agency "reasonableness" in this case in lieu of following *Chevron* and *NSK*, the Federal Circuit panel here has given the Respondent ITC a broad, highly intrusive scope of power that is *new* and is unsupported by statute or precedent.

The opinion below summarily rejected the Respondent ITC's own 1981 recognition[11] that this Court's decision

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[10] Notably, the panel opinion does not even acknowledge the existence of the *NSK* precedent.

[11] *In re Certain Steel Rod Treating Apparatus*, 215 U.S.P.Q. 229 (USITC 1981), hereinafter designated "*Steel Rod*".

in *Shaffer v. Heitner*, 433 U.S. 186 (1977) placed a "minimum contacts" requirement upon foreign-made goods as a prerequisite to the imposition of an exclusion order against them, saying merely:

> We have also considered Enercon's argument that delivery of control of the goods to a U.S. domiciliary intending to import them into the U.S. is necessary in order [to] satisfy the "minimum contacts" requirement for *in rem* jurisdiction and find it to be without merit. It is clear that neither the language of section 337, nor traditional "minimum contacts" analysis inherently limits the jurisdiction of the ITC to situations in which there has been a delivery of control of the goods to a U.S. domiciliary intending to import them into the United States. (12a)

Petitioner's position below, however, was that there must be either importation or a sale for importation of accused goods for the ITC to assume jurisdiction over them. And since importation of the accused goods in this case admittedly never occurred, Petitioner further argued that passing of title in such goods from it to the U.S. domiciled NWP was necessary to establish "minimum contacts" here.

This position is supported by existing precedent from this Court and from the ITC itself.

In *Shaffer v. Heitner*, 433 U.S. 186, 212 (1977) this Court held "that all assertions of state-court jurisdiction [—*i.e., in personam, in rem* and *quasi in rem*—] must be evaluated according to the standards [of fairness and substantial justice] set forth in International Shoe [*i.e., International Shoe Co. v. Washington*, 326 U.S. 310 (1945)] and its progeny".

Subsequently, in *Sealed Air v. U.S. International Trade Commission*, 645 F.2d 976, 985 (C.C.P.A. 1981), one of the Federal Circuit's two predecessor courts (which then had exclusive jurisdiction over final orders of the ITC pursuant to 19 U.S.C. § 1337) clarified that an ITC exclusion order, such as the one entered in this case

(*infra* 21a to 26a), "operates against goods, not parties" —*i.e.*, is an *in rem* order. In so concluding, the C.C.P.A. did not specifically address either this Court's ruling in *Shaffer* or the issue of "minimum contacts" between the United States and the excluded goods (which consisted of multicellular plastic film material, shipments of which *had already earlier been imported* into the United States).

Still later, the Respondent ITC itself, in *Steel Rod*, undertook to place *Sealed Air* and *Shaffer* mutually in context. Noting that this Court in *Shaffer* recognized, for *in rem* jurisdiction over goods, that the presence of the *res* within a court's (or by implication, an agency's) jurisdictional ambit imparts the requisite minimum contact between the *res* and the tribunal, the ITC went on to state:

> . . . This is precisely the case with 337 [i.e., 19 U.S.C. § 1337] jurisdiction, where the imported article is either present in the United States or constructively present by virtue of its sale and imminent importation, and where unfair acts related to the imported article are the subject matter of our investigation . . . . (215 U.S.P.Q. at 234)

Thus, the ITC itself, *prior to* the 1988 enactment of 19 U.S.C. § 1337(a)(1) as it now stands, claimed *in rem* jurisdiction *only* over imported articles and articles of foreign origin that had been *sold* for imminent importation into the United States.

In the Court below, Petitioner argued that the current version of 19 U.S.C. § 1337(a)(1)(B) essentially *codifies* the *Steel Rod* recognition that the ITC properly has *in rem* jurisdiction over accused goods of foreign origin that have been imported or have been sold to an entity having a U.S. presence, for imminent importation.

The Federal Circuit panel's rejection in this case of this argument and its repudiation of the "minimum contacts" prerequisite to the attachment of *in rem* jurisdiction over

foreign goods are *inconsistent* with the actual exercise of ITC jurisdiction prior to the present case.[12]

IV. THE DECISION BELOW INCREASES THE LIKELIHOOD (1) THAT EXCLUSION ORDERS WILL BE UNFAIRLY USED TO AFFECT TRADE OUTSIDE THIS COUNTRY AND (2) THAT 19 U.S.C. § 1337 WILL BE INTERNATIONALLY ATTACKED AS CONTRARY TO AMERICAN TREATY OBLIGATIONS

It is well settled that the importation of goods by anyone, including any citizen of the United States, is a privilege and not a vested right; *Buttfield v. Stranahan,* 192 U.S. 470 (1904); *In re Orion Co.,* 71 F.2d 458, 465 (C.C.P.A. 1934); *Steel Rod,* 215 U.S.P.Q. at 234. This truism has sometimes been availed of in the past to suggest that the owner of foreign-made goods excluded from the United States is not hurt by an ITC exclusion order, since it can always take them elsewhere to sell them.

Today, when news travels around the globe in a matter of seconds, that suggestion is easily refuted. News of the Respondent ITC's entry of patent-based exclusion orders against specific goods from identified manufacturers travels quickly in magazines, newspapers, trade journals, legal organs and on the Internet. Frequently, competitors of the manufacturer whose goods have been excluded wage public relations campaigns to apprise potential customers for the excluded goods that counterpart applications or patents which correspond to the U.S. patent(s) upon which the exclusion order rests are lurking in other countries and that customers should be wary of purchasing the excluded goods lest patent infringement rulings in other countries affect their manufacturer's ability to supply them,

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[12] Intensive legal research conducted throughout the ITC investigation and the appeal revealed no instance in which the Respondent ITC had ever earlier ordered foreign goods excluded in the absence of their having been either imported or *actually sold* for importation into the United States.

service them or otherwise continue to perform in regard to them.

Often such campaigns are highly speculative in predicting that an ITC holding of patent infringement is a harbinger of a similar ruling elsewhere, given that the patent claims issued on a given patent disclosure may vary widely from country to country, the principles of patent interpretation likewise vary and sometimes patent applications on which U.S. patents issue do not lead to a patent in another country. Moreover, even in the United States, the Respondent ITC's rulings on patent validity or infringement are not binding on the federal courts because, *inter alia*, of the differences between the administrative burden of proof of substantial evidence in the record and the "clear and convincing" burden required by federal courts. See *e.g., Bio-Technology General Corp. v. Genentech, Inc.*, 80 F.3d 1553 (Fed. Cir. 1996). The Federal Circuit indeed has quite properly ruled that even its own affirmances of ITC patent validity or infringement rulings are not binding on its appellate review of an infringement or validity ruling from a federal district court relating to the same patent, *Texas Instruments, Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558 (Fed. Cir. 1996).

Notwithstanding that public relations campaigns about U.S. exclusion orders against goods may be factually fragile for the reasons just noted, they often have a profound negative effect upon the volume of legitimate trade in the excluded goods, sometimes even in the country of origin of those goods.

The decision below lowers the barriers to obtaining an exclusion order against goods that have never been imported into the United States by (i) permitting the Respondent ITC to institute an investigation and pursue it relentlessly on the basis of a patent owner's extremely tenuous "information and belief" as to the occurrence of a "sale"; (ii) allowing the ITC to enter an exclusion order based on oral negotiations between parties that even if resulting

in a "contract" in the sense of an agreement to arrive at sale terms later, might never result in a sale if left to their own course; and (iii) enabling the ITC to maintain the exclusion order in force even when no contact of the accused goods with the United States ever materializes. The requirement for transfer of ownership of accused goods of foreign origin to a party with a United States presence (which in Petitioner's submission is the true test of a "sale for importation" under 19 U.S.C. § 1337(a)(1)(B)), by contrast leaves far less room for fraudulent misuse of the statute and far less room for the entry of exclusion orders that represent serious barriers to legitimate trade.

These considerations are especially cogent when viewed in the light of U.S. treaty obligations. As a member of the World Trade Organization ("WTO") the United States is a signatory to the three trade agreements WTO administers, including the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"). The preamble to TRIPS expresses, as a broad objective of its members, their desire "to reduce distortions and impediments to international trade" while taking into account two needs—*i.e.*, (1) "to promote effective and adequate protection of intellectual property rights" and (2) "to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade". In its Article 41, first sentence, TRIPS not only obligates its members to adopt effective enforcement procedures against the infringement of intellectual property rights[13] but in its second sentence Article 41 of TRIPS further provides that "These procedures shall be

[13] In this regard Article 41 specifically states:

> Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements.

applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse."

As a part of the evolution and negotiation of TRIPS as it now stands, the United States was required to agree to revise 19 U.S.C. § 1337 to meet substantial objections formally raised by the European Economic Commission, in which Japan joined. Such revisions are a part of Public Law 102-563, § 3, 106 Stat. 4248 enacted on October 29, 1992. While these revisions made no change in 19 U.S.C. § 1337(a) as enacted in 1988, it is readily foreseeable that the radical change which the decision below imposes upon the established common understanding of the term "sale" is likely to prompt bitter accusations from one or more U.S. trading partners that § 1337(a) has now newly been transposed by judicial fiat into a formidable barrier to legitimate trade.

Few subjects command as much prominence currently in each of the economic, political, legal and social contexts in this country as international trade. The United States can hardly expect to be able to insist that its nationals must be able to sell all the goods they want to sell in countries outside the United States while it simultaneously engages in unfairly hindering other countries' nationals from trading, potentially (through use of exclusive orders as explained above) in every country, by allowing both (i) a judicially unjustifiable redefinition of what a "sale" is and (ii) a retreat from the intrinsic fairness of the "minimum contacts" threshold for jurisdiction over goods.

CONCLUSION

The Court is respectfully requested to grant this Petition for review of the aberrant decision below.

Respectfully submitted,

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APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

97-1554

ENERCON GMBH, and
THE NEW WORLD POWER CORPORATION,
Appellants,

v.

UNITED STATES INTERNATIONAL TRADE COMMISSION,
Appellee,

and

ZOND ENERGY SYSTEMS, INC.,
Intervenor.

DECIDED: August 12, 1998

Before NEWMAN, *Circuit Judge,* SMITH, *Senior Circuit Judge,* and GAJARSA, *Circuit Judge.*

GAJARSA, *Circuit Judge.*

DECISION

This appeal relates to an investigation initiated by the United States International Trade Commission (ITC) under section 337 of the Tariff Act of 1930 as amended, 19 U.S.C. § 1337 (1994), based on a complaint filed by Kenetech Windpower, Inc. (Kenetech). Kenetech's complaint before the ITC alleged that Enercon GmbH (Enercon) and New World Power Corp. (NWP) planned to import into the United States certain variable wind

turbines that infringed Kenetech's U.S. Patent No. 5,083,039 (the '039 patent). On August 30, 1996, the administrative law judge made an initial determination that Enercon had violated section 337 by selling for importation variable wind turbines that infringed claim 131 of the '039 patent and issued an order excluding Enercon's variable wind turbines from entry into the United States until the expiration of the '039 patent. The initial determination and exclusion order became final on October 28, 1996. Enercon appeals from the final exclusion order, Inv. No. 337-TA-376, entitled *Certain Variable Speed Wind Turbines and Components Thereof*,[1] challenging the ITC's determination that it had jurisdiction in this case. Enercon also appeals certain aspects of the ITC's construction of claim 131 of the '039 patent. Because the ITC did not err in its determination that it had jurisdiction under section 337 and that Enercon's wind turbines infringed the '039 patent, we affirm the determination of the ITC.

BACKGROUND

A. The Technology

The '039 patent concerns a method of converting wind power into electrical power usable by an electric utility company. A wind turbine converts wind energy to electrical energy by using a wind-driven turbine in combination with an alternating current (AC) induction generator. As the wind turns the blades of the turbine, the rotor of the AC induction generator is activated, thereby generating electricity. In a variable speed wind turbine, the frequency of the generated power waveform depends upon the wind speed. The stronger the wind, the faster the turbine blades turn, and the greater the frequency of the

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[1] The '039 patent formed the basis of Kenetech's complaint before the ITC. After the investigation was completed, and Enercon appealed the ITC's final exclusion order of October 28, 1996, the '039 patent was acquired by Zond Energy Systems, Inc., which was substituted for Kenetech in this appeal.

generated power waveform. In North America, electrical utilities must deliver power to their customers at a standard constant frequency of 60 Hz. Therefore, the frequency of the power generated by the variable speed wind turbine must be continually adjusted to match this standard in order for the turbine to be able to contribute electrical power to the utility power grid. In addition, the converter must also closely match the "phase" of the utility power. The "phase" of a waveform refers to the points in time at which the sinusoidal wave reaches its positive and negative peaks. Even if the frequencies of the generated power and the utility power are equal, maximum power will not be delivered to the utility grid unless the phases also match. Essentially, the peaks and valleys must be matched so that the generated power constructively adds to the utility power at all times.

If the waveforms for both the voltage and current are in phase with one another, all of the power delivered by the generator is composed of "real" or usable power. If the voltage and current waveforms are out of phase with one another, a portion of the overall power consists of "reactive" power depending upon the degree to which the waveforms are out of phase. The degree to which the waveforms are out of phase is referred to as the "power factor angle" and is commonly denoted by the Greek letter phi (Φ).

Utility companies generally attempt to deliver power that is completely in phase in order to maximize the real power available to their customers. However, inductive loads on a utility power grid can sometimes pull the current waveform out of phase with the voltage waveform. It is therefore desirable to "pre-correct" this distortion by providing a waveform that either leads or lags the waveform on the utility grid in order to counteract this effect. By changing the power factor angle phi, it is possible to both match the phase of the utility grid and to also adjust the amount of real and reactive power in the system to counteract the effect of inductive loads.

The '039 patent was issued on February 1, 1991. Claim 131 of the '039 patent, the only claim at issue in this appeal, is directed to a method for controlling the AC power output from a wind turbine to achieve a preselected power factor angle that is compatible with that of an electric utility grid. Claim 131 reads as follows:

> A method for converting electricity generated by a variable speed wind turbine into fixed frequency output electricity, wherein the wind turbine includes a generator and means for supplying generated electricity to [a] power converter that includes a switched inverter supplying the output electricity, the method comprising the steps of:
>
> forming a reference waveform;
>
> rotating the reference waveform by a selected power factor angle to yield a template waveform;
>
> using the template waveform to define desired output currents; and
>
> controlling the switched inverter to produce output currents corresponding to the desired output currents.

According to the written description of the '039 patent, the variable frequency AC produced by the generator is converted to fixed frequency AC by using a power converter that includes active rectifiers for first converting the variable frequency AC to DC. The power converter also includes a switched inverter for converting DC back to AC. An inverter control unit further controls the switched inverter to supply power to the utility power grid with an adjustable phase. The power factor angle is adjusted so that the current supplied by the generator system is in phase with the voltage on the utility lines. Alternatively, the phase of the current supplied by the generator may be adjusted to lead the voltage in the utility lines in order to compensate for inductive loads at other points in the utility grid.

Claim 131 primarily concerns the manipulation of the current and voltage waveforms output from the power converter. The written description explains that the invention first forms a reference waveform by sampling the waveform on the grid. The claimed invention then rotates this waveform by a preselected power factor angle to generate a 'template' or 'model' waveform. The claimed invention then uses the switched inverter to control the output waveform from the power converter to match the template waveform as closely as possible.

B. The ITC's Jurisdiction Under Section 337

Section 337 lists the requirements for the ITC's jurisdiction. In particular, section 337 requires an "importation" or a "sale for importation" before the ITC may exercise jurisdiction over any accused goods. The ITC found a long and well established course of conduct between Enercon and NWP that demonstrated that there had been a contract for sale of Enercon's model E-40 variable wind turbines to NWP for importation into the United States thereby bringing the turbines within its jurisdiction under section 337.

In 1993, NWP wrote to Enercon to request a price quote for a specific number of model E-40 variable wind turbines in connection with a project planned in the state of Washington. Enercon responded on August 18, 1993 with a written offer to sell NWP the E-40 wind turbines at a specific price per turbine, to be delivered on the west coast of the United States. The offer stated that it would remain open until March 31, 1994 and was signed by several of Enercon's officers. The ITC found that while this particular offer was not accepted, it did establish a set price per turbine when sold in the stated quantity. Following several meetings between Enercon and NWP, Enercon sent NWP a letter on February 15, 1994 stating that "[w]e once again would like to point out that we will be prepared to fulfill your requirements starting in 1995 . . . ."

On February 28, 1994, NWP submitted a bid on a project for Texas Utilities (TU) in Big Spring, Texas. In the bid, NWP stated an intention to use Enercon's E-40 variable wind turbines. In the ensuing months there were several meetings between NWP and Enercon, ostensibly to discuss the E-40 turbines and their use in the Big Spring project. On June 1, 1994, Enercon's U.S. affiliate reported in a faxed memorandum that the entire Big Spring project would likely be awarded to NWP and that Enercon needed to deliver the turbines. On June 3, 1994, an internal Enercon memorandum reported that the Big Spring project was indeed awarded to NWP and that Enercon was listed as providing the turbines for the project.

In September, 1994, NWP signed an energy purchase agreement with TU, the sponsor of the Big Springs project. The agreement specified that all wind turbines would be Enercon's model E-40 turbines. Near the end of 1994, Enercon investigated the cost involved in shipping the E-40 turbines from Germany to Big Spring, Texas. Finally, at the American Wind Energy Association conference, which took place in March 1995, the NWP booth at the conference displayed posters depicting Enercon's E-40 turbine and described its expected use in the forthcoming Big Spring project.

The ITC found that these activities, combined with the initial offer to provide the turbines at a specific price per machine, demonstrated that a contract had been formed between Enercon and NWP for the sale of the E-40 turbines. Having found a contract for sale and importation into the United States, the ITC consequently found that it had jurisdiction under section 337 to determine whether the Enercon E-40 turbines infringed the '039 patent as alleged by Kenetech. Based upon the claim construction and comparison to the accused device, the ITC found that Enercon's E-40 turbines, if imported into the United States, would infringe claim 131 of the '039 patent and

accordingly ordered the exclusion of the E-40 and similar turbines from importation into the United States until the expiration of the '039 patent.

DISCUSSION

A. ITC Jurisdiction Under Section 337

This court has exclusive jurisdiction over "final determinations of the United States International Trade Commission relating to unfair practices in import trade made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337)." 28 U.S.C. § 1295(a)(6) (1994); *see also* 19 U.S.C. § 1337(c) (1994). This court reviews a final determination of the ITC in accordance with Chapter 7 of the Administrative Procedure Act (APA), 5 U.S.C. §§ 701-706 (1994). *See* 19 U.S.C. § 1337(c). Accordingly, we review factual findings of the ITC under the "substantial evidence" standard. *See Checkpoint Sys., Inc. v. United States Int'l Trade Comm'n*, 54 F.3d 756, 759, 35 USPQ2d 1042, 1045 (Fed. Cir. 1995). The "substantial evidence" standard is satisfied by "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." *Consolidated Edison Co. v. National Labor Relations Bd.*, 305 U.S. 197, 229 (1938).

As the agency charged with the administration of section 337, the ITC is entitled to appropriate deference to its interpretation of the statute. *See Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 844 (1984); *Farrel Corp. v. United States Int'l Trade Comm'n*, 949 F.2d 1147, 1151, 20 USPQ2d 1912, 1916 (Fed. Cir. 1991) ("While this court generally reviews ITC interpretations of statutory provisions de novo, some deference to constructions by the agency charged with its administration may be appropriate, particularly if technical issues requiring some expertise are involved."); *Texas State Comm'n for the Blind v. United States*, 796 F.2d 400, 406 (Fed. Cir. 1986) ("The issue to be de-

cided by this court is whether the statute is capable of more than one interpretation and whether the agency's interpretation is reasonable."). Under the *Chevron* decision, we are directed to determine "whether Congress has directly spoken to the precise question at issue." *Chevron*, 467 U.S. at 842. "If the intent of Congress is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress." *Id.* at 842-43. Where the statute is "silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute." *Id.* at 843 (footnote omitted). This court will therefore uphold the ITC's interpretation of section 337 if it is reasonable in light of the language, policies and legislative history of the statute. *See Corning Glass Works v. United States Int'l Trade Comm'n*, 799 F.2d 1559, 1565, 230 USPQ 822, 826 (Fed. Cir. 1986). In addition, we review the ITC's factual determinations of whether the various jurisdictional provisions of the statute have been met in this case to determine if they are supported by substantial evidence.

Section 1337(a)(1)(B) of title 19 of the United States Code deems unlawful "[t]he importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States patent." The ITC concluded that the term "sale" in section 337 is properly defined as including contracts for sale in light of Uniform Commercial Code (U.C.C.) § 2-106(1). The ITC then found that Enercon and NWP had entered into a contract for sale of the E-40 wind turbines, thereby bringing those devices within its jurisdiction under section 337.

Enercon first argues that the ITC's exclusion order should be vacated because it lacks jurisdiction over the accused goods under 19 U.S.C. § 1337(a)(1)(B). En-

ercon claims that no "sale for importation" with the meaning of section 337 has occurred to give the ITC jurisdiction over its variable speed wind turbines. Enercon argues that the ITC erroneously based its interpretation of the term "sale" in section 337 upon the definition of "sale" in U.C.C. § 2-106(1) and that the ITC should have interpreted the term "sale" to require a "delivery" of the goods to the purchaser. Enercon asserts that under this more restrictive definition of "sale," the ITC does not have jurisdiction over Enercon's wind turbines since there was never a "delivery" of the turbines to NWP.

As the ITC correctly pointed out, the term "sale" is not defined within section 337. There is also no explicitly stated definition of the term "sale" in the legislative history of section 337. We therefore believe that Congress intended to give the term its ordinary meaning, thereby making an explicit definition unnecessary.

Black's Law Dictionary defines the term "sale" as "[a] contract between two parties, called, respectively, the 'seller' (or vendor) and the 'buyer' (or purchaser), by which the former, in consideration of the payment or promise of payment of a certain price in money, transfers to the latter the title and the possession of the property." *Black's Law Dictionary* (6th ed. 1990). *Webster's Dictionary* defines the term "sale" as "the act of selling: a contract transferring the absolute or general ownership of property from one person . . . to another for a price . . . ." *Webster's Third New International Dictionary* 2003 (1986). Plainly, the common, or usual meaning of the term sale includes those situations in which a contract has been made between two parties who agree to transfer title and possession of specific property for a price.

The U.C.C. has been recognized as the general law governing the sale of goods and is another useful, though not authoritative, source in determining the ordinary commercial meaning of the term "sale." Section 2-106, which defines the various terms used throughout the U.C.C.,

states that a " '[c]ontract for sale' includes both a present sale of goods and a contract to sell goods at a future time." Section 2-106 further states that a " 'present sale' means a sale which is accomplished by the making of the contract." *Id.* Therefore, the U.C.C. is in accordance with the above referenced dictionaries in defining the term "sale" as having been accomplished when a contract for the transfer of goods has been completed. There is nothing in section 337 to contradict this interpretation.

Enercon argues that the term "sale" as used in section 337 inherently requires that title in specific goods pass from the buyer to the seller and that without such "delivery" of the goods, no "sale" within the meaning of section 337 has occurred. In particular, Enercon reads the phrase "[a] sale consists in the passing of title in specific existing goods from the seller to the buyer for a price" in section 2-106 as requiring a "delivery" of control of the goods to a U.S. domiciliary desiring to import them, even if the goods are not physically sent to the buyer. Thus, Enercon argues that before the ITC may assume jurisdiction under the phrase "sale for importation," there must be: 1) delivery of title and control of the goods to the buyer; and 2) a buyer who is a U.S. domiciliary intending to import the goods into the U.S. We detect no such restrictions on the term "sale." It is common for a "sale" to be completed even though delivery is to be made in the future. As Enercon cites in its brief, this court has previously stated, albeit in the context of interpreting the "on sale bar" of 35 U.S.C. § 102(b), that "[i]t is well settled that a sale is a contract between parties to give and to pass rights of property for consideration which the buyer pays or promises to pay the seller for the thing bought or sold." *In re Caveney*, 761 F.2d 671, 676, 226 USPQ 1, 4 (Fed. Cir. 1985). The term "sale" in section 337 therefore does not require an immediate "delivery" of the goods in order for the ITC to assume jurisdiction.

Further, the ITC's construction of the phrase "sale for importation" is not inconsistent with the legislative history of section 337, as suggested by Enercon. Prior to 1988, section 337 read as follows:

> Unfair methods of competition and unfair acts in the importation of articles into the United States or in their sale by the owner, importer, consignee or agent of either . . . are declared unlawful, ...

Tariff Act of 1930, § 337, 46 Stat. 703 (1983).

The pre-1988 version of section 337 did not contain the provision prohibiting a "sale for importation." Congress amended this section to add the phrase "sale for importation" in 1988. The Conference Report explains that the addition of this language was not intended to change the interpretation of the statute. "In changing the wording with respect to importation or sale, the conferees do not intend to change the interpretation or implementation of current law as it applies to the importation or sale of articles that infringe certain U.S. intellectual property rights." H.R. Conf. Rep. No. 576, 100th Cong., 2d Sess. 633 (1988). Rather, the 1988 amendments were intended to strengthen the statute's effectiveness in eliminating the problems caused by the importation of goods that infringe U.S. intellectual property rights. *See* S. Rep. 71, 100th Cong., 1st Sess. 128 (1987); *see also* H.R. Conf. Rep. No. 576, 100th Cong., 2d Sess. 112 (noting that "the purpose of [the amendments] is to make [section 1337] a more effective remedy for the protection of United States intellectual property rights."). Thus, contrary to Enercon's assertion, we believe that in passing the 1988 amendments to section 337, Congress did not intend to weaken the ability of the ITC to prevent unfair acts by including an additional limitation on its jurisdiction. Further, we reject Enercon's contention that in the 1988 amendments to section 337 Congress intended to separate accused infringement of intellectual property rights covered by subsections (b), (c) and (d), from the general class of unfair acts covered by subsection (a).

We have also considered Enercon's argument that delivery of control of the goods to a U.S. domiciliary intending to import them into the U.S. is necessary in order to satisfy the "minimum contacts" requirement for *in rem* jurisdiction and find it to be without merit. It is clear that neither the language of section 337, nor traditional "minimum contracts" analysis inherently limits the jurisdiction of the ITC to situations in which there has been a delivery of control of the goods to a U.S. domiciliary intending to import them into the United States.

The ITC's determination that the phrase "sale for importation" includes the situation in which a contract for goods has been formed in accordance with section 2-204(1) of the U.C.C. is a reasonable interpretation of 19 U.S.C. § 1337 that we must uphold under the standards set forth by the Supreme Court in *Chevron*. We must next review whether substantial evidence supports the ITC's finding that a contract has been formed between Enercon and NWP for the sale of the accused goods thereby bringing those goods within the jurisdiction of the ITC under section 337.

Section 2-204(1) of the U.C.C. provides that "a contract for [the] sale of goods may be made in any manner sufficient to show agreement, including conduct by both parties which recognizes the existence of such a contract . . . even though the moment of its making is undertermined." The ITC found that the writings and conduct of Enercon and NWP demonstrated, by more than a preponderance of the evidence, that NWP and Enercon had entered into a contract for the sale of Enercon's wind turbines for importation into the United States. In support, the ITC pointed to compelling evidence that NWP bid on the Big Springs project using the price quoted to it by Enercon and specifically stated that it would use Enercon's E-40 wind turbines. The ITC also found persuasive Enercon's documents that demonstrated an intent to deliver the turbines to NWP once Enercon

learned that NWP's bid on the Big Springs project had been accepted by TU.

The ITC concluded from the totality of the written documentation and contemporaneous conduct by the parties that there was a clear intent by both Enercon and NWP to enter into a contract for the sale of Enercon's E-40 wind turbines. Enercon argues that the ITC failed to consider evidence that in late 1995, after the ITC began its investigation of Enercon, Enercon's managing director, Mr. Wobben, orally informed NWP that Enercon would not supply NWP with wind turbines for the Big Springs project. Enercon argues that this statement effectly cancelled any oral contract that may have been formed, thereby precluding the ITC from assuming jurisdiction in this case. The ITC plainly considered this evidence, but rejected Enercon's assertion, explaining that despite this statement, the evidence did not support a conclusion that Enercon would refrain from sending the accused products into the United States. In addition, this evidence is directly contrary to the deposition testimony of Mr. John Kuhns who stated that Mr. Wobben never indicated that he would not supply the wind turbines to NWP. We believe that the evidence presented fully supports a conclusion that a contract had been formed between Enercon and NWP, thereby bringing the accused devices within the ITC's jurisdiction under section 337. We therefore affirm the determination of the ITC that it had jurisdiction over the accused wind turbines.

B. Literal infringement

In determining whether there has been literal infringement, a two step analysis is required. First, the claims must be correctly construed to determine the scope of the claims. Second, the claims must be compared to the accused device. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976, 34 USPQ2d 1321, 1326 (Fed. Cir. 1995) (in banc), *aff'd*, 116 S. Ct. 1384, 38 USPQ2d

1461 (1996); *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1581-82, 39 USPQ2d 1573, 1576 (Fed. Cir. 1996). To establish literal infringement, a plaintiff must demonstrate that every limitation in the claim is literally met by the accused device. *See Intellicall, Inc. v. Phonometrics, Inc.*, 952 F.2d 1384, 1388-89, 21 USPQ2d 1383, 1387 (Fed. Cir. 1992); *Key Mfg. Group, Inc. v. Microdot, Inc.*, 925 F.2d 1444, 1449, 17 USPQ2d 1806, 1810 (Fed. Cir. 1991). Demonstration that every limitation of the claim is literally met by the accused device must be shown by a preponderance of the evidence. *See Envirotech Corp. v. Al George, Inc.*, 730 F.2d 753, 758, 221 USPQ 473, 477 (Fed. Cir. 1984).

1. Claim Construction

Claim construction is a matter of law and is reviewed by this court *de novo*. *See Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456, 46 USPQ2d 1169, 1174 (Fed. Cir. 1998) (in banc); *Markman*, 52 F.3d at 979. Before the ITC, the parties' disagreement centered upon the limitation in claim 131 of the '039 patent which claims the step of "rotating the reference waveform by a selected power factor angle to yield a template waveform." In particular, the parties' primary dispute on appeal is over the construction of the word "rotating." The ITC concluded that the ordinary meaning of the term "rotating" in the context of the '039 patent was only a phase shift of the reference waveform.

Enercon argues that the term "rotating" is limited to a special type of phase shift that is disclosed in the written description of the '039 patent. All parties agree that the process of "rotating" a waveform results in a phase shift of the waveform in a plot against time. However, Enercon argues that the term "rotating" in claim 131 refers not to the generic process of phase shifting a waveform, but to a specific process used to perform the rotation known as a "rotational transformation." Enercon relies primarily upon the specification of the '039 patent to support its

interpretation. Enercon asserts that because the only method disclosed in the specification for performing a rotation is a rotational transformation which is described as part of the preferred embodiment at col. 17, ll. 29-45 of the '039 patent, the term "rotating" must be limited to this method of performing the rotation. Enercon finally points to other, extrinsic sources which also purport to describe a rotation as a "transformation."

This court has repeatedly stated that while claims are to be construed in light of the specification, they are not necessarily limited by the specification. *See Markman*, 52 F.3d at 980. Claims terms are also to be interpreted so as to give the terms their ordinary meaning, absent some clear special definition. *See Vitronics*, 90 F.3d at 1582; *Athletic Alternatives v. Prince Mfg., Inc.*, 73 F.3d 1573, 1578, 37 USPQ2d 1365, 1370 (Fed. Cir. 1996). "Generally, particular limitations or embodiments appearing in the secification will not be read into the claims." *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 867, 228 USPQ 90, 93 (Fed. Cir. 1985); *SRI Int'l, Inc. v. Matsushita Elec. Corp.*, 775 F.2d 1107, 1121 n.14, 227 USPQ 577, 585 n.14 (Fed. Cir. 1985) (in banc) (merely because "a specification describes only one embodiment does not require that each claim be limited to that one embodiment"); *Transmatic, Inc. v. Gulton Indus., Inc.*, 53 F.3d 1270, 1277, 35 USPQ2d 1035, 1040-41 (Fed. Cir. 1995) ("[A] patent claim is not necessarily limited to a preferred embodiment disclosed in the patent."). Enercon has shown no reason to depart from this well established rule.

Only in the preferred embodiment is the more specific "rotational transformation" procedure described as a method to rotate the waveform. The remainder of the specification uses the words "rotate" and "shift" interchangeably. As the ITC noted, NWP's chief technology officer also used the words "rotate" and "shift" interchangeably in describing the operation of the patented device.

Even Enercon's own expert admitted that he had heard the terms used interchangeably.

We have also considered Enercon's extrinsic evidence purportedly demonstrating what the term "rotate" means to one of skill in the art and find it to be unhelpful at best and misleading at worst. Submitted as part of Enercon's claim construction argument, the Mohan, Ooi and Thorburg references make no mention of the disputed claim term. Not only does the text of the references not purport to aid in determining the meaning of the term "rotating," but the argument accompanying the citation of these references in Enercon's brief apparently attempts to show that several of the limitations of claim 131 can be found in the prior art. Because the validity of the '039 patent was not appealed to this court, these references may not be considered for that purpose.

As we have stated above, the specification clearly uses the terms "rotate" and "shift" interchangeably. In addition, all parties agreed that the phrase "rotating the reference waveform" indicates a shift in phase of the desired waveform. Because we see no evidence to indicate that the term "rotate" was intended to refer to the specialized method of performing a phase shift known as a "rotational transformation," we hold that the term "rotating" is to be given its ordinary meaning. We therefore hold that the ITC was correct in interpreting the term "rotating" to mean merely a phase shift in the desired waveform.

2. Reading Claims on the Accused Device

Literal infringement of a claim exists when every limitation recited in the claim is found in the accused device. *See Strattec Security Corp. v. General Automotive Specialty Co.*, 126 F.3d 1411, 1418, 44 USPQ2d 1030, 1036 (Fed. Cir. 1997); *Johnson v. IVAC Corp.*, 885 F.2d 1574, 1580, 12 USPQ2d 1382, 1384 (Fed. Cir. 1989) (citing cases). We review the ITC's determination

that the accused device infringes properly construed claim 131 under the "substantial evidence in the record" standard as set forth at 5 U.S.C. § 706(2)(E) (1994) and mandated by 19 U.S.C. § 1337(c).

Enercon makes only one argument on appeal that it does not infringe claim 131 of the '039 patent under the ITC's claim construction. The ITC plainly considered this argument, but because Enercon failed to comply with discovery requests on this issue, the ITC found as a sanction that the Enercon device formed a "reference waveform" as required by claim 131. Enercon does not challenge the ITC's discovery sanction as an issue on appeal until the very end of its reply brief. As we have stated before, "[a] reply brief, which should 'reply to the brief of the appellee,' see Fed. R. App. P. 28(c), is not the appropriate place to raise, for the first time, an issue for appellate review." *Amhil Enters. Ltd. v. Wawa, Inc.*, 81 F.3d 1554, 1563, 38 USPQ2d 1471, 1477 (Fed. Cir. 1996); *see also Becton Dickenson & Co. v. C.R. Bard, Inc.*, 922 F.2d 792, 800, 17 USPQ2d 1097, 1103 (Fed. Cir. 1990). Therefore Enercon has waived this issue on appeal and the question of whether the accused device forms a reference waveform has been established as a matter of law. Enercon does not appeal any other portion of the ITC's finding that the accused wind turbines infringe claim 131. Because we affirm the claim construction of the ITC, and Enercon did not properly appeal the finding of infringement based upon that claim construction, we affirm the ITC's determination that claim 131 is infringed.

CONCLUSION

We hold that the ITC's interpretation of the jurisdictional provisions of section 337 is a reasonable construction of a statute which the ITC has the primary responsibility for implementing. Therefore, under *Chevron*, we must affirm this decision. We additionally affirm the decision of the ITC that the jurisdictional prerequisites of

section 337 have been met in this case. With respect to literal infringement of the '039 patent, we affirm the ITC's construction of claim 131 which interprets the term "rotate" to mean a "phase shift" of the desired waveform. Finally, because Enercon did not properly appeal the ITC's finding of infringement based upon this claim construction, we also affirm that decision. The decision of the ITC is therefore

AFFIRMED.

APPENDIX B

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

97-1554

ENERCON GMBH, and
THE NEW WORLD POWER CORPORATION,
Appellants,

v.

UNITED STATES INTERNATIONAL TRADE COMMISSION,
Appellee,

and

ZOND ENERGY SYSTEMS, INC.,
Intervenor.

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the apeal, and thereafter the suggestion for rehearing in banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on November 23, 1998.

FOR THE COURT

/s/ Jan Horbaly
JAN HORBALY
Clerk

Dated: November 16, 1998

APPENDIX C

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 337-TA-376

IN THE MATTER OF
CERTAIN VARIABLE SPEED WIND TURBINES
and COMPONENTS THEREOF

ORDER

This patent-based section 337 investigation was instituted by the Commission on May 30, 1995 (60 *Fed. Reg.* 28167) based on a complaint filed by Kenetech Windpower, Inc., of Livermore, CA. Complainant alleges violation of section 337 in the importation, sale for importation, and/or the sale within the United States after importation, of certain variable speed wind turbines and components thereof, by reason of infringement of claim 131 of U.S. Letters Patent 5,083,039 ("the '039 patent") and claim 51 of U.S. Letters Patent 5,225,712 ("the '712 patent"), both patents owned by complainant. Enercon GmbH of Aurich, Germany and The New World Power Corporation of Lime Rock, Connecticut were named as respondents.

The presiding administrative law judge (ALJ) held an evidentiary hearing on the merits beginning on January 31, 1996, and issued his final initial determination (ID) finding a violation of section 337 on May 30, 1996. The ALJ found that there had been a sale for importation of the accused products; that claim 131 of the '039 patent has been literally infringed; that claim 51 of the '712 patent was not infringed, either literally or under the doc-

trine of equivalents; and that complainant's activities with respect to the '039 and '712 patents satisfy the domestic industry requirements of section 337. Respondents filed a petition for review of the ID and the Commission investigative attorney (IA) filed an opposition to the petition for review. On July 17, 1996, the Commission issued a notice of its determination to review certain portions of the ID and requested written submissions on the issues under review and on remedy, the public interest, and bonding. 61 *Fed. Reg.* 38473 (July 24, 1996). Submissions on the issues under review and on remedy, the public interest, and bonding were received from complainant, respondents, and the IA. Complainant, respondents, and the IA also filed reply submissions on those issues.

Having reveiwed the record in this investigation, including the written submissions of the parties, the Commission has made its determination regarding violation of section 337 and on the issues of remedy, the public interest, and bonding. The Commission has determined that there is a violation of section 337 and that the appropriate form of relief is a limited exclusion order prohibiting the unlicensed entry for consumption of variable speed wind turbines and components thereof manufactured and/or imported by Enercon GmbH of Aurich, Germany and/or The New World Power Corporation of Lime Rock, Connecticut, and that infringe claim 131 of U.S. Letters Patent 5,083,039.

The Commission has also determined that the public interest factors enumerated in 19 U.S.C. § 1337(d) and (f) do not preclude the issuance of the limited exclusion order, and that the bond during the Presidential review period shall be in the amount of 100 percent of the entered value of the articles in question.

Accordingly, the Commission hereby ORDERS THAT—

1. Variable speed wind turbines and components thereof covered by claim 131 of U.S. Letters Patent

5,083,039 (the "'039 patent") and manufactured and/or imported by or on behalf of Enercon GmbH of Aurich, Germany and/or The New World Power Corporation of Lime Rock, Connecticut, or any of their affiliated companies, parents, subsidiaries, licensees, contractors, or other related entities, or their successors or assigns, are excluded from entry for consumption into the United States for the remaining term of the patent, *i.e.*, until February 1, 2010, except under license of the patent owner or as provided by law.

2. Variable speed wind turbines and components thereof covered by claim 131 of the '039 patent and manufactured and/or imported by or on behalf of Enercon GmbH of Aurich, Germany and/or The New World Power Corporation of Lime Rock, Connecticut, identified in paragraph 1 above, are entitled to entry into the United States under bond in the amount of one-hundred (100) percent of the entered value of such items pursuant to subsection (j) of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337(j)), from the day after this Order is received by the President, until such time as the President notifies the Commission that he approves or disapproves this action, but no later than 60 days after the date of receipt of this Order by the President.

3. In accordance with 19 U.S.C. § 1337(1), the provisions of this Order shall not apply to variable speed wind turbines and components thereof imported by and for the use of the United States, or imported for, and to be used for the United States with the authorization or consent of the Government.

4. Complainant shall file a written statement with the Commission, made under oath, on September 30, 1996, and every three months thereafter until and including the date which is three (3) months after the date of expiration of the '039 patent, setting forth:

a. the number of wind turbines covered by claim 131 of the '039 patent that have been produced by or on behalf of complainant in the United States during the three months preceding the date of the report;

b. the type and number of components for variable speed wind turbines covered by claim 131 of the '039 patent that have been produced by or on behalf of complaint in the United States during the three months preceding the date of the report;

c. the name and address of the facility(ies) at which the production referred to in subparagraphs (a) or (b) occurred and the nature or type of production activities performed at the facility (*e.g.*, manufacture, assembly, research and development and quality control);

d. the nature and extent, if any, of complainant's activities with regard to repair, service, and/or maintenance of existing variable speed wind turbines covered by claim 131 of the '039 patent, including the number of employees involved and the name and address of the facility(ies) at which such activities occurred;

e. a description of those components, if any, of variable speed wind turbines produced pursuant to claim 131 of the '039 patent that were imported into the United States by or on behalf of complainant during the three months preceding the date of the report;

f. whether complainant has submitted bids or otherwise solicited sales of its variable speed wind turbines covered by claim 131 of the '039 patent, and, if so, from how many cus-

tomers, during the three months preceding the date of the report; and

g. and agreements between complainant and any other entity which contemplate or provide for the sale, in whole or in part of complainant's wind turbine business.

5. In additon to the reports submitted to the Commission pursuant to paragraph 4 of this Order, complainant shall submit, under oath, a summary of any plan of reorganization filed in connection with its Chapter 11 bankruptcy proceeding (whether such plan is filed by complainant or by another party to the proceeding), together with a copy of the plan of reorganization and disclosure statements. Complainant shall submit such summary, plan, and disclosure statement within five (5) business days after the date of filing of the plan with the court. If complainant's case under Chapter 11 is either dismissed or converted to a case under Chapter 7 (liquidation), complainant shall notify the Commission of such conversion or dismissal within five (5) days of the conversion or dismissal. If complainant shall, at any time, decide to discontinue or abandon its wind turbine business, whether through sale or in any other manner, it shall notify the Commission within five (5) business days of such decision.

6. The Commission may modify this Order in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.76).

7. The Secretary shall serve copies of this Order upon each party of record in this investigation and upon the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and the U.S. Customs Service.

8. Notice of this Order shall be published in the *Federal Register*.

By order of the Commission.

/s/ Donna R. Koehnke
DONNA R. KOEHNKE
Secretary

Issued: August 30, 1996

APPENDIX D

PUBLIC VERSION

UNITED STATES INTERNATIONAL
TRADE COMMISSION
Washington, DC 20436

Investigation No. 337-TA-376

IN THE MATTER OF
CERTAIN VARIABLE SPEED WIND TURBINES
and COMPONENTS THEREOF

INTRODUCTION

Upon remand from an appeal with the U.S. Court of Appeals for the Federal Circuit filed by respondent Enercon GmbH of Aurich, Germany ("Enercon"), the Commission determined that (1) Zond Energy Systems, Incorporated ("Zond") should be permitted to intervene in this investigation as a co-complainant; (2) Zond is part of a domestic industry that continues to exist in the investigation; (3) referral to the presiding administrative law judge (ALJ) for further fact finding is not warranted; (4) respondents' motion for an order to show cause why the law firm of Howrey & Simon should not be deemed continuing counsel to Kenetech is denied; and (4) respondents' petition for recission of the exclusion order is denied.

PROCEDURAL BACKGROUND

The Commission conducted this patent-based investigation under secton 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in 1995 and 1996 based on a complaint filed by Kenetech to determine whether there was a violation of section 337 in the importation, sale for importa-

tion, and/or the sale within the United States after importation of certain variable speed wind turbines and components thereof, by reason of infringement of claim 131 of the U.S. Letters Patent 5,083,039 ("the '039 patent") and claim 51 of U.S. Letters Patent 5,225,712 ("the '712 patent"), both patents then owned by complainant. Enercon and The New World Power Corporation of Lime Rock, Connecticut ("New World") (collectively "respondents") were named as respondents. The Commission found a violation of section 337 (with regard to the '039 patent only) and, in August of 1996, issued a limited exclusion order excluding the subject wind turbines and components thereof from entry for consumption into the United States. In order to inform itself regarding the continued presence of a domestic industry, the Commission required complainant Kenetech, which had filed for protection under Chapter 11 of the U.S. Bankruptcy Act, to file quarterly reports detailing its domestic industry activities. Subsequently, Kenetech sold the '039 patent to Zond. Zond granted Kenetech and Trace Technologies, Inc. ("Trace") licenses under the '039 patent.

Respondent Enercon appealed the Commission's determination to the U.S. Court of Appeals for the Federal Circuit. Zond moved to intervene in the appeal. Enercon opposed, arguing that Zond had not shown that it qualifies as a domestic industry and that it thus lacked standing to appear. The Commission did not oppose Zond's motion. On April 24, 1997, the Federal Circuit remanded the case to the Commission to determine in the first instance (1) "whether Zond should be substituted for Kenetech;" and (2) "whether Zond qualifies as a domestic industry." Pursuant to the Federal Circuit's order, on June 2, 1997, the Commission issued an order reopening the investigation, reinstating the administrative protective order, and requesting comments from the parties' counsel on the questions posed by the Federal Circuit remand.[1]

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1 *Notice of Reopening of Investigation*, Inv. No. 337-TA-376 (June 2, 1997).

I. *Whether Zond Should Be Substituted for Kenetech*

As indicated above, in its remand of this case to the Commission, the Federal Circuit directed the Commission to determine "whether Zond should be substituted for Kenetech." On June 12, 1997, Zond filed with the Commission a motion to intervene in this remand investigation. On July 8, 1997, the Commission issued an order permitting Zond to intervene in the remand proceeding as a co-complainant. Zond's motion effectively presented the Commission with the same issue posed by the Federal Circuit's first remand question. We have concluded that our decision on the motion to intervene is equally applicable to the first of the Federal Circuit's remand questions. Thus, in response to the first of the Federal Circuit's remand questions, we have determined that, rather than substituting Zond for Kenetech, Zond should be permitted to intervene as a co-complainant. *See* Order Granting Motion to Intervene of Patent Owner Zond Energy Systems, Inc. (July 8, 1997).

II. *The Existence of a Domestic Industry*

A. *Introduction*

The second question posed by the Federal Circuit in its remand is "whether [patent owner] Zond [Energy Systems Incorporated] qualifies as a domestic industry." This question is somewhat problematic since, strictly construed, it would unduly narrow the focus of the domestic industry inquiry to a consideration of the activities of only the patent owner, Zond. Accordingly, we have interpreted the Court's order as instead inquiring whether a domestic industry exists by virtue of the activities of Zond *and* its licensees in practicing the claimed invention in the United States. This interpretation, which is reflected in our June 2, 1997, order requesting comments from the parties' counsel ("June 2 Order"), is consistent with Commission precedent.

B. *Complainant's Position*

Zond states that its activities and those of its licensees, including activities related to the operation, maintenance, and engineering consulation concerning domestically installed KVS-33 wind turbines, are sufficient to satisfy the domestic industry requirement of section 337, particularly in view of the level of activities previously found to support the Commission's determination that there is a domestic industry in this investigation.[2] According to Zond, the same domestic activities that were present when the Commission issued its opinion on violation of section 337 in September 1996, are still in place; they are simply being conducted by Kenetech and Trace acting under license from Zond, instead of by Kenetech alone.[3] In support of its position, Zond cites extensively to specific examples of these activities as attested to in Kenetech's quarterly reports and in certain declarations of Kenetech, Trace, and Zond officials attached to its submission.

C. *Respondents' Position*

Respondents assert that Zond, as the new owner of the '039 patent, must demonstrate that "it has domestic industry status," and that if it does not, the Commission must rescind the limited exclusion order issued in this investigation.[4] Respondents argue that mere ownership of

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2 Zond Energy Systems Inc.'s Comments on the Remand Issues Pursuant to the Commission's Order of June 2, 1997 ("Zond's Remand Comments"). Respondents have stipulated that the KVS-33 wind turbine practices (*i.e.*, embodies the invention of) claim 131 of U.S. Letters Patent 5,083,039 ("the '039 patent"), the patent in issue in this remand.

3 Zond Remand Comments at 10.

4 Comments of Respondents Relative to Remand Questions in Response to Order Dated June 2, 1997 ("Respondents' Remand Comments") at 1-3. Respondents also make several arguments on subjects clearly beyond the scope of the remand (*e.g.*, claim interpretation, the definition of the article at issue) which we do not address herein.

the patent in issue is not sufficient to satisfy the domestic industry requirement, and appear to take the position that the Commission should define the domestic industry in terms of the activities of the patent owner alone. Respondents primarily discuss the fact that the Commission lacks information on the record regarding patent owner Zond's activities.[5] For example, respondents asserted that Zond has not submitted to the Commission any description of *its* present business and has not affirmatively stated that there is any current activity by it or either of its licensees with respect to the '039 patent.[6]

Respondents attempt to distinguish this investigation from *Certain Battery-Powered Ride-On Toy Vehicles and Components Thereof*, Inv. No. 337-TA-314 ("*Toy Vehicles*"),[7] upon which the Commission previously relied in rendering its domestic industry finding. According to respondents, the holding in *Toy Vehicles* was based on the fact that the complainant in that case was manufacturing new toy vehicles and selling them in competition with respondent's infringing ones.[8] In this investigation, respondents contend, it is "completely illogical to exclude from the U.S. Enercon wind turbines which would compete only for business of persons and entities wishing to buy *new machines*, simply because [Kenetech] is maintaining and operating some of its old machines."[9]

D. *The IA's Position*

The Commission investigative attorney ("IA"), on behalf of the Commission's Office of Unfair Import Investi-

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[5] *Id.* at 8-9.

[6] Reply of Respondents to Submissions on Remand Pursuant to Commission Order of June 2, 1997 of Zond Energy Systems, Inc. and OUII [Office of Unfair Import Investigations] at 3-4.

[7] USITC Pub. 2420 (unreviewed portion of Initial Determination, December 1990, at 20-21).

[8] Respondents' Remand Comments at 5-6.

[9] *Id.* at 5 (emphasis in original).

gations, which is the office primarily responsible for monitoring Kenetech's quarterly reports, takes the position that there continues to be a domestic industry practicing the patent in issue. Specifically, the IA argues that the continued operation of the KVS-33 wind turbines, as reflected in Kenetech's quarterly reports, satisfies the domestic industry requirement of section 337.[10] The IA also notes that licensee Trace is utilizing certain manufacturing and laboratory assets located in former Kenetech facilities in California for, among other purposes, maintaining and operating existing KVS-33 wind turbines. Inasmuch as these activities were part of the domestic industry found by the Commission at the time of its August 30, 1996, final determination, when the facilities were still owned by Kenetech, the IA urges that Zond's licensees (*i.e.*, Kenetech and Trace) are engaged in activities which the Commission has already found sufficient to constitute a domestic industry.[11]

E. *Analysis*

1. *The Statutory Standard*

The domestic industry provision in section 337 requires that "an industry in the United States, relating to the articles protected by the patent, . . . exist[] or [be] in the process of being established."[12] Section 337 defines such a domestic industry as follows:

> (a)(3) . . . an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected

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10 Brief of the Office of Unfair Import Investigations in Response to the Commission's Order of June 2, 1997 ("IA's Remand Comments") at 8.

11 IA Remand Comments at 6-8; Brief of the Office of Unfair Import Investigations in Reply to the Comments of June 16, 1997 ("IA's Reply Comments") at 4.

12 19 U.S.C. § 1337(a)(2).

by the patent, copyright, trademark, or mask work concerned—

(A) significant investment in plant and equipment;

(B) significant employment of labor or capital; or

(C) substantial investment in its exploitation, including engineering, research and development, or licensing.[13]

We have consistently held that the domestic industry inquiry under section 337 is not limited to the activities of the patent owner, but also involves the activities of any licensees.[14] For this reason, we have interpreted the

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[13] 19 U.S.C. § 1337(a)(3). Section 337 thus establishes both an economic prong and a technical prong for the domestic industry inquiry. *See, e.g., Certain Variable Speed Wind Turbines and Components Thereof* at 22, 24.

[14] *See, e.g., Certain Static Random Access Memories*, Inv. No. 337-TA-341, Order No. 5. ("The question of whether complainant or its parent company owns the patent right may be in issue, but it is not relevant to the domestic industry. The owner of a patent is not the only possible complainant. A licensed domestic producer of an article that is protected by a U.S. patent may be the complainant.") Indeed, it has been the long-standing Commission practice to examine the activities of licensees in making domestic industry determinations. *Certain Dynamic Random Access Memories, Components Thereof and Products Containing Same*, Inv. No. 337-TA-242 at 62, (Sept. 1987); *Certain Microsphere Adhesives, Process for Making Same, and Products Containing Same*, Inv. No. 337-TA-366 (Sept. 1995). In fact, in *Certain Diltiazem Hydrochloride and Diltiazem Preparations*, Inv. No. 337-TA-349, *aff'd* on appeal to the U.S. Court of Appeals for the Federal Circuit on other grounds as *Tanabe Seiyaku Co., Ltd. v. U.S. International Trade Commission*, 109 F.3d 726 (Fed. Cir. 1997), the *sole* domestic economic activities that constituted the domestic industry were those of the patent holder's licensee. *Certain Diltiazem Hydrochloride and Diltiazem Preparations*, Inv. No. 337-TA-349, Initial Determination (unreviewed portion) at 133-141. In this regard, we agree with the IA that the legislative history of the 1988 amendments to section

Court's domestic industry remand question as raising the issue of whether the U.S. activities of patent owner Zond and the activities of those authorized by it to practice the patent continue to satisfy the domestic industry requiremen of section 337.[15]

2. *The Law of the Case*

In the order seeking comments on the remand questions, we stated:

> The Commission will consider it to be the law of the case that the level of activities found to be adequate to support the determination that there is a domestic industry in this investigation remains adequate to support a determination that there continues to be a domestic industry.[16]

With regard to the level of activities previously found adequate to support the existence of a domestic industry, the presiding ALJ determined in his final initial determination ("ID") that the domestic industry should be defined in terms of complete wind turbines, such that Kenetech's relevant investments regarding any and all "downtower" and "uptower" components were properly included in the domestic industry.[17] The ALJ found that the technical prong of the domestic industry requirement was satisfied

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337 merely clarifies that section 337 relief is not available to a complainant that is unable to demonstrate the existence of a domestic industry through *either* its own activities *or* those of its licensees. *See* H.R. Rep. No. 100-40, 100th Cong., 1st Sess, p. 157 (1987) (emphasis added). *See* IA Remand Comments at 6-7.

[15] June 2 Order at 2.

[16] June 2 Order at 2.

[17] ID at 71. The entire KVS-33 wind turbine includes both so-called "uptower" components at the top of a tall tower (*e.g.*, fan blades) and so-called "downtower" components at the bottom of the tower (*e.g.*, power converters and other electrical/electronic components). *See* ID, FF V 1-6.

in view of the parties' stipulation that the KVS-33 wind turbines (indisputably in operation in the United States) practice (*i.e.*, embody the invention of) claim 131 of the '039 patent.[18] The ALJ also found that the economic prong of the domestic industry requirement was satisfied by Kenetech's: (a) significant investment in plant and equipment, which included investments in a manufacturing facility and related equipment, and in equipment used to monitor and regulate the operation and maintenance of, or perform repairs on installed wind turbines; and/or (b) significant employment of labor and capital, which included the employment of people working in domestic operation and maintenance of installed wind turbines, the employment of people working in the fabrication of the wind turbines, and Kenetech's investment in materials.[19]

On August 30, 1996, we affirmed the ALJ's determination, but noted that around the time the ID issued, on May 29, 1996, Kenetech filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Act.[20] We specifically discussed the lessened economic activity engaged in by Kenetech with respect to the KVS-33 wind turbines in rendering our finding on the existence of a domestic industry.[21] In particular, we noted that, although Kenetech apparently had ceased manufacturing the KVS-33 wind turbine, it was continuing to proved maintenance services with respect to installed KVS-33 wind turbines.[22] We determined that this level of activity was sufficient to satisfy the statutory domestic industry requirement.[23]

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[18] *Id.* at 72; *see also, Certain Variable Speed Wind Turbines and Components Thereof* at 22.

[19] *Id.* at 73-74.

[20] *Certain Variable Speed Wind Turbines and Components Thereof* at 22-26.

[21] *Id.*

[22] *Id.* at 23-24.

[23] As discussed above, in holding that the reduced activities of Kenetech were sufficient to satisfy the domestic industry require-

3. *The Current Status of the Domestic Industry*

Licensee Kenetech continues to operate as a debtor-in-possession during the bankruptcy proceedings and continues to monitor and regulate the operation and maintenance of, or perform repairs on, a substantial number of installed KVS-33 wind turbines in the United States.[24] During the past three months, Kenetech has assembled and shipped hundreds of electrical/electronic and mechanical components, under license from Zond, to windplants

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ment, the Commission cited *Toy Vehicles*, wherein we concluded that the complainant was entitled to relief because of its past extensive research and development, and its current inventory of patented products sold as replacement parts (*i.e.*, a power pedal unit for a toy vehicle), notwithstanding that the complainant was no longer practicing the patent because of declining sales. *Id.* at 25. In particular, we stated in our *Wind Turbines* opinion:

> The same reasoning [as in *Toy Vehicles*] would appear to apply with respect to complainant's past activities in this investigation, *i.e.*, a domestic industry can be found based on complainant's *past* activities in exploiting the '039 patent. . . . Because [in the present investigation] it has been only a matter of months since complainant ceased its manufacturing activities with respect to the KVS-33, and because of complainant's substantial investment in plant and equipment, significant employment of labor and capital, and substantial investment in engineering, research and development related to the patented technology, as well as evidence that it continues to exploit the patent (albeit in a more limited fashion), we reaffirm our determination that there is a domestic industry in this investigation.

Id.

[24] Declaration of Steven A. Kern ("Kern Decl.") ¶ 2, filed with Zond's Remand Comments. With regard to the technical prong, the Commission previously has noted that claim 131 of the '039 patent was still being exploited by reason of the continued operation and maintenance of the KVS-33 wind turbines. *Certain Variable Speed Wind Turbines and Components Thereof* at 24. Since respondents have stipulated that the KVS-33 practices claim 131 of the '039 patent, satisfaction of the technical prong of the domestic industry requirement is not in dispute.

for the maintenance of KVS-33 wind turbines.[25] In addition, Kenetech's March 27, 1997, report states that three KVS-33 wind turbines were built in the three-month period from January through March, 1997.[26] Kenetech continues to maintain inventory for the assembly and completion of KVS-33 wind turbines at its facility in Livermore, California.[27] It has stated that it expects to assemble, complete, and sell additional KVS-33 wind turbines from its existing inventory, subject to the approval of the bankruptcy court.[28] Kenetech performed these activities under license from the patent owner Zond.[29] We find that these Kenetech activities alone demonstrate the continued existence of a domestic industry.

In addition, licensee Trace entered into agreements with Kenetech in February 1997 to provide maintenance services and spare parts to Kenetech [ ].[30] In connection with this contract, Trace has purchased certain assets from Kenetech, including manufacturing and laboratory assets located in former Kenetech facilities in Livermore, California, [ ].[31] Trace's domestic activities also include [ ].[32] [ ].[33]

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[25] *See* Declaration of Steven A. Kern on Behalf of Complainant Kenetech Windpower, Inc. Pursuant to Paragraph 4 of Limited Exclusion Order, dated July 9, 1997 ("July 1997 Report") at ¶ 5, Exhibit A; *see also*, Zond Remand Comments at 11-12; Kern Decl. ¶¶ 2, 5-8.

[26] *See* Declaration of Steven A. Kern on Behalf of Complainant Kenetech Windpower, Inc. Pursuant to Paragraph 4 of Limited Exclusion Order, dated March 27, 1997 ("March 1997 Report").

[27] July 1997 Report at ¶¶ 6, 10.

[28] Kern Decl. ¶ 10.

[29] *See* Kern Decl. ¶ 3; Declaration of Dr. Amir Mikhail ("Mikhail Decl.") ¶ 2, filed with Zond's Remand Comments.

[30] *Id.* at ¶ 3.

[31] [ ].

[32] Erdman Decl. ¶¶ 5-6.

[33] Erdman Decl. at ¶ 4.

Based on the foregoing, the same level of domestic activity that the Commission previously found sufficient to satisfy the statutory domestic industry standard continues to exist. Specifically, the above-described activities of Kenetech [ ], under license from Zond, in connection with the assembly of KVS-33 wind turbines, as well as the maintenance of installed KVS-33 wind turbines, demonstrate the continued existence of the domestic industry in this case.[34] The domestic industry in a section 337 proceeding is comprised of the patentee and any licensees exploiting the patent.[35] Accordingly, we find that a domestic industry, now comprised of Zond, Kenetech, and Trace, continues to exist in this investigation.[36] The

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[34] *See Certain Airtight Cast Iron Stoves*, Inv. No. 337-TA-69, USITC Pub. 1126 (Jan. 1981); *Certain Airless Paint Spray Pumps and Components Thereof*, Inv. No. 337-TA-90, USITC Pub. 1199 (Nov. 1981); *Certain Cube Puzzles*, Inv. No. 337-TA-112, USITC Pub. 1334 at 4 (Jan. 1983) (finding that the complainant's domestic investments regarding the inspection, testing, repair, and packaging of cube puzzles, and the design and production of cube puzzle molds, were sufficient to satisfy the domestic industry requirement.)

[35] To the extent that respondents contend that the Commission cannot use the economic activities of a licensee to reach a determination that a domestic industry exists in a section 337 investigation, they have overlooked the long-standing Commission practice that the domestic industry in a patent-based investigation is not restricted to the operations of the patent owner.

[36] We do not agree with respondents' argument that further proceedings before the ALJ are needed to gather sufficient information regarding the activities of patent owner Zond. Respondents' Remand Comments at 9-10. The information needed to answer the Court's remand questions is before the Commission in the form of Kenetech's quarterly reports and the declarations of Kenetech, Trace, and Zond officials submitted to the Commission. Indeed, as indicated above, Kenetech's quarterly reports alone provide a sufficient factual basis for the Commission to address the domestic industry question without referring the investigation to the ALJ. We are not persuaded by respondents' attempt to cast doubt upon the sufficiency of Kenetech's quarterly reports and the Kern declaration. Specifically, respondents argue that because there have been reports of electrical failures for certain KVS-33 turbine in-

post-investigation developments, including Zond's purchase of the '039 patent, have not affected the viability of the exclusion order issued in this investigation.[37]

III. *Respondent's Show Cause Motion*

On June 27, 1997, respondents filed a motion for an order to show cause why the law firm of Howrey & Simon should not be deemed continuing counsel to Kenetech.[38]

A. *Respondents' Position*

Respondents argue that, in light of Howrey & Simon's failure to move to withdraw as Kenetech's counsel, the Commission is empowered to order that Howrey & Simon be deemed as continuing to represent Kenetech. In support of their position, they cite to *inter alia, Certain*

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verters, further proceedings are required to determine whether Kenetech retrofitted the inverters in a way that would cause them no longer to practice the '039 patent. Reply of Respondents to Submissions on Remand Pursuant to Commission Order of June 2, 1997 of Zond Energy Systems, Inc. and The Commission's Office of Unfair Import Investigations at 5-8. However, the Commission already has determined that the domestic industry should be defined in terms of KVS-33 wind turbines, including Kenetech's relevant investments in both downtower and uptower components. ID at 71. As noted, the parties have also stipulated that the model KVS-33 wind turbines practice claim 131 of the '039 patent. *Id.* at 72; *see also, Certain Variable Speed Wind Turbines* at 22.

[37] We do not find persuasive respondents' attempt to distinguish this investigation from *Toy Vehicles*. First, the Commission's reliance on *Toy Vehicles* is the law of the case and respondents' attempt to revisit the issue is untimely. Moreover, unlike the situation with respect to Enercon's wind turbines, the imported new vehicles at issue in *Toy Vehicles* were *not covered* by the patent in issue. *See Toy Vehicles* (unreviewed portion of Initial Determination, at 20-21, August 1991). Finally, as Zond noted, the Commission's domestic industry determination in *Toy Vehicles* was based only on the activities related to the old vehicles, which *were* covered by the patent, but which were no longer being manufactured. *Id.*

[38] Motion Docket No. 376-45C.

Memory Devices with Increased Capacitance and Products Containing Same.[39] Respondents stated that they were "of the strong conviction that the status of Howrey & Simon in this Investigation must be resolved *definitively* in order to maintain the integrity of the Investigation as well as the disposition of the present remand."[40]

B. *Howrey & Simon's Position*

On July 2, 1997, Howrey & Simon filed an opposition to respondents' motion, arguing that the show cause motion was moot in that: (1) on June 18, 1996, James Eisen, Vice President and General Counsel for Kenetech, notified the Commission that Kenetech was "not authorized to continue to retain Howrey & Simon in connection with this investigation . . .", and (2) the investigation has been concluded, notwithstanding the current limited remand in which Kenetech is participating *pro se* and for which it does not require formal legal representation.[41] On July 9, 1997, "in order to obviate expressed concerns on the part of respondents," Howrey & Simon submitted a formal notice of withdrawal as counsel to Kenetech.[42]

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[39] Inv. No. 337-TA-371 (*"Memory Devices"*) (Order No. 67, February 13, 1996 (denying a motion to withdraw that was filed only a short time before the scheduled commencement of the evidentiary hearing). Respondents cite also to Civil Local Rule 11-5(a) of the Northern District of California, the American Bar Association's Disciplinary Rule DR2-108(C), and the American Bar Association's Model Rule 1.16(c).

[40] Docket No. 376-45C at 4 (emphasis in original).

[41] Howrey & Simon's Response To Respondents' Motion For An Order To Show Cause Why The Firm Should Not Be Deemed Continuing Counsel To Kenetech, dated July 2, 1997.

[42] Howrey & Simon indicated that it did not file a formal withdrawal earlier because the investigation had already concluded and withdrawal appeared unnecessary.

C. *The IA's Position*

On July 9, 1997, the IA submitted a response opposing the show cause motion. He argued that there does not appear to be any reason for the Commission to order that Howrey & Simon be deemed continuing counsel to Kenetech.[43] He noted that the investigation into whether a violation of section 337 occurred has been concluded, and opined that the rights of the parties are not jeopardized by Kenetech's lack of counsel.[44]

D. *Analysis*

We deny respondents' show cause motion for the reasons that: (1) Kenetech itself, more than one year ago, indicated that it is no longer authorized to retain the services of Howrey & Simon;[45] (2) Howrey & Simon has filed a notice of withdrawal as counsel to Kenetech; and (3) it does not appear that Kenetech or any other party will be prejudiced by Howrey & Simon's withdrawal as counsel to Kenetech.[46]

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[43] Brief of the Office of Unfair Import Investigations in Response to Respondents' Motion for an Order to Show Cause at 2.

[44] *Id.* at 2-4.

[45] *See* Eisen Letter, June 18, 1996 (attached to Howrey & Simon response of July 2, 1997).

[46] Thus, the circumstances in this case are unlike those in *Memory Devices* (cited to by respondents) in that the trial in this investigation has concluded. Therefore, unlike in *Memory Devices* where counsel attempted to withdraw on the eve of trial, Howrey & Simon's withdrawal in this investigation does not raise any due process considerations. To the extent that there are certain continuing issues before the Commission (*i.e.*, Kenetech is required to submit quarterly reports and the Commission is considering the remand question and rescission petition addressed herein), Kenetech can continue (as it has for the past year) to participate *pro se*, without prejudicing the rights of any party.

IV. *Respondents' Petition for Rescission of the Limited Exclusion Order*

On July 2, 1997, respondents filed a petition for rescission of the exclusion order issued in this investigation.

A. *Respondents' Position*

Respondents argue that (1) the institution of this investigation was premised upon a specific misrepresentation by Kenetech in its complaint that "on information and belief Enercon has engaged in the sale of Enercon Model E-40 wind turbines for importation;" (2) the Commission's holding that a sale for importation occurred "follows from its uncritical adoption of the [ALJ's] Initial Determination;" (3) the ID's holding that there was a sale for importation is the result of a misreading of Uniform Commercial Code § 2.106(1) by the ALJ, who "erroneously equated a 'sale' to '*a contract for* [a future] *sale*' in direct (albeit clearly inadvertent) derogation of established law"; and (4) now that the appeal has been remanded, "19 C.F.R. § 210.76(a)(2) affords a welcome opportunity for the Commission to make a serious and careful examination of whether it ever had jurisdiction in this Investigation to enter an exclusion order."[47] In short, respondents argue that the Commission initially and subsequently lacked *in rem* jurisdiction over respondents' accused devices and therefore lacks subject matter jurisdiction to determine patent infringement under section 337.[48] Based on the foregoing, and citing rule 210.76(a)(2), respondents seek rescission of the exclusion order on the grounds permitted by Federal Rule of Civil Procedure

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[47] Petition of Respondents Pursuant to 19 C.F.R. 210.76(a)(2) for Rescission of Exclusion Order Herein Entered Under 19 U.S.C. § 1337(d) ("Respondents' Rescission Petition") at 4-14. Respondents believe that "such an examination should lead to a prompt rescission of the exclusion order and obviation of the need for appellate review." *Id.* at 5.

[48] *Id.* at 2.

("FRCP") 60(b), and in particular: subsection (1) regarding mistake; subsection (3) regarding fraud or misrepresentation; subsection (4) regarding a void judgment; and subsection (6), the catch-all provision.[49]

B. *Complainant's Position*

Zond opposes the petition, arguing that it "merely urges reexamination of arguments that even Respondents must (and do) admit have been repeatedly raised before—and rejected—by the presiding Administrative Law Judge and the Commission."[50] According to Zond, respondents' petition "is no more than a poorly disguised request for reconsideration of the *final* rejection of the arguments in Respondents' petition: the Commission's decision to let stand, unreviewed, the determination that there has been a sale for importation and that the Commission has jurisdiction."[51] Zond contends that respondents already raised in their petition for review of the ALJ's final ID all of the same alleged legal and factual errors they now reassert in their petition for rescission. Zond further contends that, since respondents' petition is based on old factual and legal arguments, it fails to satisfy rule 210.76(a)(1), which requires that petitions for modification of outstand-

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[49] With respect to FRCP 60(b)(1), respondents urge that the ALJ made a mistake in determining that there was a sale for importation because he supposedly misjudged the facts and misapplied the U.C.C. *Id.* at 4-8. Respondents urge that the exclusion order should be rescinded under FRCP 60(b)(3) in light of Kenetech's purported misrepresentation of Enercon's intent to import. *Id.* at 13. Respondents assert that the Commission's determinations are void under FRCP 60(b)(4) because, in respondents' view, the Commission never had jurisdiction in light of the alleged legal error concerning the existence of a sale for importation. *Id.* at 14. Respondents also cite to the "catch-all" provision of FRCP 60(b)(6), but do not specify how that rule applies to their petition.

[50] Zond Energy Systems, Inc.'s Comments on Respondents' Petition for Rescission ("Zond's Rescission Response") at 1.

[51] *Id.*

ing orders be based on changed conditions of fact or law or the public interest.[52]

C. *The IA's Position*

The IA argues that respondents' petition amounts to an attempt to reargue an issue that has already been decided by both the ALJ and the Commission, *viz.*, the issue of the existence of a sale for importation.[53] The IA maintains that the law on FRCP 60(b) "clearly states that the rule is not to be used to allow reconsideration of questions already litigated and decided."[54] He notes that courts

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[52] *Id.* at 2. With respect to respondents' arguments under FRCP 60(b)(1) (regarding judicial mistake), Zond notes that the Commission has already considered whether a mistake was made with respect to the ALJ's interpretation of the U.C.C., citing the fact that Commission rule 210.43(d)(3) requires that the Commission consider whether the ID contains, among other things, a clear error of material fact or an error of law. *Id.* at 3-5. With respect to FRCP 60(b)(3) (regarding fraud), Zond argues that respondents' accusations do not meet the burdens imposed under subsection (3) that the alleged fraud be proven by clear and convincing evidence, and that the "fraud must have prevented the moving party from fully and fairly presenting [its] case," citing *Gonzalez v. Gannett Satellite Information Network, Inc.*, 903 F. Supp. 329, 332 (N.D.N.Y. 1995), *aff'd*, 101 F.3d 109 (Fed. Cir. 1996); *Atkinson v. Westburne Supply, Inc.*, 43 F.3d 367, 372-73 (8th Cir. 1994); and *Diaz v. Methodist Hospital*, 46 F.3d 492, 497 (5th Cir. 1995). *Id.* at 5-6. Zond also argues that a determination is not void under FRCP 60(b)(4) "merely because a party disagrees with the court's decision that it has jurisdiction." *Id.* at 6-7. Finally, Zond notes that relief under FRCP 60(b)(6) is available "only where exceptional circumstances prevent the moving party from seeking relief through other channels," citing *Atkinson v. Westburne Supply, Inc.*, 43 F.3d 367, 373 (8th Cir. 1994), and "exceptional circumstances are not present [merely because] a party is subject to potentially unfavorable consequences as a result of an adverse judgment properly arrived at." *Id.* at 7.

[53] Brief of the Office of Unfair Import Investigations in Response to Respondents' Petition for Rescission of Exclusion Order ("IA's Rescission Response") at 4-5.

[54] *Id.* at 3.

will deny a motion filed under FRCP 60(b) if the motion merely revisits an issue that has already been disposed of, citing *Van Skiver v. United States*, 952 F.2d 1241 (10th Cir. 1991), *rehearing denied, cert. denied* 506 U.S. 828 (1992); *Lewis v. American Foreign Service Association*, 846 F. Supp. 77 (D.D.C. 1993); *Tann v. Service Distributors, Inc.* 56 F.R.D. 593 (E.D. Pa. 1972); and *United States ex rel. TVA v. McCoy*, 198 F. Supp. 716 (W.D.N.C. 1961).[55] Based on the foregoing, the IA submits that "entertaining the petition would be contrary to the well-established principle that FRCP 60(b) is not to be used to relitigate settled issues." [56]

D. *Analysis*

Section 337(k)(2) and Commission rule 210.76(a)(2) implementing that statutory provision permit the Commission to grant relief from a previously issued order or determination on certain limited grounds. Specifically, the Commission may grant such relief: (1) on the basis of new evidence or evidence that could not have been presented at the prior proceeding; or (2) on grounds that would permit relief from a judgment or order under the Federal Rules of Civil Procedure.[57] Respondents do not rely upon the portion of rule 210.76(a)(2) that turns on new or previously unavailable evidence. Rather, as indicated above, respondents premise their petition upon FRCP 60(b).

We agree with Zond and the IA that respodnents' petition merely reargues the "sale for importation" jurisdictional issue which has already been decided by both the ALJ and the Commission.[58] Indeed, respondents them-

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[55] *Id.* at 3-4.

[56] *Id.* at 5.

[57] 19 U.S.C. § 1337(k)(2), 19 C.F.R. § 210.76(a)(2).

[58] The only arguably new circumstance that respondents raise involves the allegation that the Commission's initiation of the in-

selves acknowledge that they unsuccessfully raised this same issue on several ocasions before the ALJ, and that they unsuccessfully sought Commission review of this issue in the ALJ's final ID.[59] In fact, the ALJ considered and rejected respondents' jurisdictional arguments and determined that the Commission had jurisdiction to decide the matter.[60] The Commission declined to review that determination.[61]

Nor do respondents' mistake, fraud, and voidness allegations warrant re-opening the sale for importation issue. It is well-established that F.R.C.P. 60(b) is not to be used to relitigate settled issues.[62] Accordingly, we decline

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vestigation was based on a misrepresentation in Kenetech's complaint. However, respondents directly contested the statement in the complaint that they now challenge; they simply did not allege fraud. *See* Response of Respondent The New World Power Corporation ("New World") to the Complaint (Affirmative Defenses ¶ 15 at 26 and ¶ 4 to the Notice of Investigation at 31). Moreover, respondents have not even provided a *prima facie* showing of fraud on Kenetech's part. In addition, as Zond notes, the Commission's determination that there was a sale for importation was not based on the allegations contained in the complaint, but was based on the evidence against respondents compiled from their own statements and actions. *See* ID, findings of fact ("FF") 1-61.

59 Respondents' Rescission Petition at 3-4. *See also* Response of Respondent The New World Power Corporation to the Complaint (Affirmative Defenses ¶ 15 at 26 and ¶ 4 to the Notice of Investigation at 31); Prehearing Statement of Respondents, The New World Power Corporation and Enercon GmbH (January 24, 1996) at 6-15; Respondents' Posthearing Brief (March 4, 1996) at 2-6; and Respondents' Petition Pursuant To 19 C.F.R. § 210.43 For Review Of Initial Determination (June 13, 1996) at 12-15.

60 *See* Order No. 11, dated October 19, 1995; Order No. 13, dated November 20, 1995; Order No. 18, dated January 26, 1996; ID at FF 1-61.

61 *Certain Variable Speed Wind Turbines and Components Thereof*, Inv. No. 337-TA-376, Commission Order (August 30, 1996).

62 *See, e.g., Glavor v. Shearson Lehman Hutton, Inc.*, 879 F. Supp. 1028, 1033 (N.D. Cal. 1994) (rejecting Rule 60(b) motion in

respondents' invitation to revisit these jurisdictional issues simply because the investigation has been remanded for the limited purpose of determining whether a domestic industry continues to exist.

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which party merely reargued its previous motion and expressed its dissatisfaction with the court's prior decision), *aff'd*, 1996 U.S. Dist. Lexis 11581 (9th Cir. 1996); *Van Skiver v. United States*, 952 F.2d 1241 (10th Cir. 1991), *rehearing denied, cert. denied* 506 U.S. 828 (1992); *Lewis v. American Foreign Service Association*, 846 F. Supp. 77 (D.D.C. 1993); *Tann v. Service Distributors, Inc.* 56 F.R.D. 593 (E.D. Pa. 1972); *United States ex rel TVA v. McCoy*, 198 F. Supp. 716 (W.D.N.C. 1961). In addition, when faced with FRCP 60(b)(1) motions, courts generally refuse to grant requests involving alleged judicial mistakes of a substantive nature *See, e.g., Smith v. Evans*, 853 F.2d 155, 158 (3d Cir. 1988) (legal error without more cannot justify granting Rule 60(b) motion); *Hoult v. Hoult*, 57 F.3d 1 (1st Cir. 1995) (assertion of legal error is not a ground for relief under Rule 60(b)); *U.S. v. Williams*, 674 F.2d 310, 313 (4th Cir. 1982) (Rule 60(b)(1) motion not authorized when it is nothing more than a request that the court change its mind). We also agree with Zond that the Commission's jurisdictional determination is not void. Rather, as the Federal Circuit has stated:

> [T]he jurisdictional requirements of section 337 mesh with the factual requirements necessary to prevail on the merits. In such a situation, the Supreme Court has held that the tribunal should assume jurisdiction and treat (and dismiss on, if necessary) the merits of the case.

Amgen Inc., v. USITC, 902 F.2d 1532, 1536, 14 USPQ2d 1734, 1737-1738 (Fed. Cir. 1990), citing, *inter alia, Bell v. Hood*, 327 U.S. 678, 682 (1946).

APPENDIX E

PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 337-TA-376

IN THE MATTER OF
CERTAIN VARIABLE SPEED WIND TURBINES
and COMPONENTS THEREOF

INITIAL DETERMINATION
Administrative Law Judge Sidney Harris

* * * *

A. There Has Been a Sale for Importation

1. The Definition of a Sale

The term "sale" is not defined within section 337. As held by the Supreme Court, "[i]n the absence of such a definition, we construe a statutory term in accordance with its ordinary or natural meaning." *FDIC v. Meyer*, 510 U.S. ——, 114 S.Ct. 996, 1001 (1994) (relying on Black's Law Dictionary).

Black's Law Dictionary states that "[t]he general law governing the sale of goods is the Uniform Commercial Code (Art. 2)."[1] Therefore in consideration of U.C.C.

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[1] In their briefs, Respondents and OUII have relied to some extent on the provisions of the Uniform Commercial Code to argue the question of whether or not there has been a sale for importation. Furthermore, Complainant has had admitted into evidence a portion of the U.C.C., *i.e.*, U.C.C. § 2-305 (CX-134).

§ 2-106(1), a "sale" of the accused products shall be found if it is determined that Respondents have entered into a contract for the accused products.

Section 2-204(1) of the U.C.C. provides that "a contract for the sale of goods may be made in any manner sufficient to show agreement, including conduct by both parties which recognizes the existence of such a contract . . . even though the moment of its making is undetermined." *Accord* Restatement (Second) Contracts § 19 (1981) ("Restatement") ("The manifestation of assent may be made wholly or partly by written or spoken words or by other acts or by failure to act." Restatement § 19(1)).

The Court of Appeals for the Federal Circuit has held that the terms of a contract must be definite enough so that a court may: (1) determine whether the parties in fact intended to contract at all; and (2) determine when a breach has occurred and formulate an appropriate remedy. *Aviation Contractor Employees, Inc. v. United States,* 945 F.2d 1568, 1572 (1991) (citing, *inter alia,* Restatement § 33). However, even an agreement which specifies that certain terms will be agreed on by future negotiation is sufficiently definite because it impliedly places an obligation on the parties to negotiate in good faith. 945 F.2d at 1572.

2. Discussion of the Facts and Application of the Law

In this case, there is a long and well-established course of conduct, including contemporaneous writings, that demonstrates the existence of a contract between New World and Enercon for the sale of accused model E-40 wind turbines for importation into the United States.

In mid-1993, New World was considering a number of projects, including one in the state of Washington. At that time and until late last year, the president of NWP's

grid power division was Mr. Brian Clare Lees. He was in charge of the building and operating of NWP's wind farms. FF II 4. Mr. Lees wrote to Enercon in mid-1993 to request a price quotation for 100 E-40 wind turbines. FF II 9.

In a document dated August 18, 1993, which was sent to Mr. Lees, Enercon made an offer to sell New World a quantity of 100 E-40 wind turbines at a price of [ ] per machine, to be delivered on the west coast of the United States. The offer stated that it remained valid until March 31, 1994. FF II 6, 7. The offer was signed by Mr. Aloys Wobben, as well as Ms. Juanita Fromme. FF II 6. Mr. Wobben is the owner and manager of Enercon, and the designer of Enercon's E-40 wind turbines. FF II 1. Ms. Fromme is the head of Enercon's export division. FF II 2.

There is no evidence that New World accepted Enercon's specific August 18, 1993 offer to sell 100 wind turbines to NWP for delivery on the west coast. In fact, New World did not pursue the project in Washington. FF II 9. However, the offer set a precedent for the sale price of [ ] per E-40 wind turbine when sold in the quantity of 100. *See* FF II 38. Furthermore, the experience that Enercon and NWP had with the August 1993 price quotation and offer to sell, established channels of business communications which were used for the continued dealing between the two companies.

On September 20, 1993, shortly after receiving Enercon's offer, Mr. John Kuhns and Mr. Lees traveled to Aurich, Germany to meet with Mr. Wobben and Ms. Fromme. Mr. Kuhns is the founder, chairman and CEO of New World. FF II 3. The topics discussed during the September 1993 meeting included the advantages of the E-40 technology. FF II 12.

On February 10, 1994, Mr. Kuhns and Mr. Lees of NWP made another trip to Germany to meet with Mr.

Wobben, accompanied by Mr. Mickey Craig of Westinghouse. FF II 13. Westinghouse is a shareholder in New World, and a company representative is a member on NWP's board of directors. Westinghouse and New World also have a business alliance under which Westinghouse will serve as NWP's construction manager on certain projects. FF II 14.

Following the February 1994 meeting in Germany involving New World, Westinghouse and Enercon, Ms. Fromme sent two communications of record concerning the meeting.

In a letter dated February 15, 1994, Ms. Fromme thanked Mr. Kuhns for his visit and stated, in part: "We once again would like to point out that we will be prepared to fulfill your requirements starting in 1995 as discussed and are looking forward to a most fruitful and long-term relationship with you and your organization." FF II 17.

Ms. Fromme also sent a telefax message dated February 16, 1994 to Mr. Mark Haller, who in mid-February 1994, began working for Enercon in the United States. He reported to Mr. Wobben and to Ms. Fromme. His office is the U.S. sales office of Enercon. FF II 15, 16. Ms. Fromme informed Mr. Haller of the "price details as discussed on February 10th 1994 . . . ." The price structure detailed in Ms. Fromme's message to Mr. Haller was such that 100 E-40 wind turbines cost [ ] each.

As with the earlier quotaton from Enercon, the price was for turbines imported from Germany. FF II 18. This price was, however, quoted in connection with a Texas Utilities project in Big Spring, Texas. FF I 19.

At New World, the price quoted by Enercon was passed on to Mr. Michael Best, executive vice president of New World in charge of project financing. He is responsible for overseeing the "business package" for bids

New World has submitted on domestic wind energy projects. FF II 19, 20.

On February 28, 1994, shortly after New World and Westinghouse representatives made their trip to Germany, New World submitted its bid for the Texas Utilities project in Big Spring, Texas. In the bid, New World stated its intention to use Enercon E-40 wind turbines. FF II 22.

On March 14, 1994, Mr. Haller reported to Mr. Wobben and Ms. Fromme that Messrs. Lees and Best of New World wanted him to attend a meeting with Texas Utilities representatives. Mr. Haller was encouraged by Enercon to attend. FF II 23.

On April 8, 1994, Mr. Haller reported to Mr. Wobben and Ms. Fromme that he met with representatives of New World, Westinghouse and Texas Utilities. FF II 24. When he visited Texas Utilities, he answered technical questions about the E-40. FF II 25.

In May 1994, Mr. Wobben, Ms. Fromme and Mr. Haller, all of Enercon, met with Mr. Kuhn and Mr. Lees at New World's headquarters in Connecticut to discuss future activities in the United States, including the Big Spring, Texas project. Also in May 1994, Mr. Haller reported to Mr. Wobben about the customs duty that would be placed on the E-40 wind turbines upon importation. FF II 27, 28.

On June 1, 1994, Mr. Haller reported in a memorandum to Ms. Fromme[2] that it appeared the entire Texas Utilities bid would be awarded to New World Power. He stated in part, as follows:

> Congratulations are probably already in order for an eighty machine sale! Ausgezeichnet! *Now we have to deliver them.*

FF II 29 (emphasis added).

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[2] Mr. Haller often communicated with Ms. Fromme at Enercon because she is his conduit to Enercon generally, and to Mr. Wobben in particular. FF II 26, 33.

On June 3, 1994, Mr. Haller reported in a memorandum sent by facsimile to Ms. Fromme that the entire 40 megawatt Texas Utilities project had been awarded to New World. He stated in part, as follows:

> The good news is that all of it went to New World. No one else. Forty mega Watts to *NWP/Westinghouse/Enercon. We* won!
>
> * * *
>
> Also, TU has sent letters to the nine other companies that bid and announced to them that it is *NWP/Enercon.* By Monday, the entire industry will know.

FF II 30 (emphasis added).

In response to Mr. Haller's June 2, 1994 memo, Ms. Fromme conveyed Enercon's elation at hearing the news, as well as congratulations and thanks. FF II 31.

The evidence discussed above and further discussed below shows that prior to the summer of 1994 an agreement had been reached between New World and Enercon for Enercon to sell New World the E-40 wind turbines for the Big Spring, Texas project. The parties had formed a contract and thus a sale had been made.

Unlike New World's previous experience with the project in the state of Washington for which NWP initially received a price quotation, NWP not only got the same price quotation on wind turbines for the Big Spring, Texas project, it subsequently made a bid for the project based on the use of Enercon machines. While [it] is not clear from the evidence whether New World accepted the price quoted by Enercon for the E-40, NWP was nonetheless encouraged to base its bid on the use of Enercon machines.

A price need not be specified at the time that a contract is entered into if the parties otherwise intend for a sale to take place. It is clear that no question of price prevented the parties in this case from forging ahead with their plans to have Enercon supply wind turbines for the

Big Spring, Texas project. After the May 1994 meeting in Germany, Enercon remained a participant in discussions with New World, Westinghouse and Texas Utilities about the Big Spring. Texas project. When it appeared that New World and Westinghouse would be awarded the project, Enercon's sales representative in the United States stated that all that was left to do was to make delivery of the turbines. By the summer of 1994, Enercon's sales representative in the United States realized that a successful bid meant that "we" won. In fact, Enercon's sales representative quite correctly wrote in terms of "NWP/Westinghouse/Enercon" and "NWP/Enercon" inasmuch as Enercon expected to participate in the Big Spring, Texas project along with New World and Westinghouse.

The conduct of New World and Enercon that shows the existence of a contract between them continued, through 1994 and into 1995. In addition, they have left no doubt that at least some of the turbines to be supplied by Enercon would be imported.

On July 22, 1994, there was a meeting of Enercon, New World and Westinghouse representatives in Germany. Mr. Wobben, Ms. Fromme and Mr. Haller attended on behalf of Enercon. During the meeting it was stated that the inverters of the E-40 are to come from Germany. FF II 36. In fact, Mr. Wobben testified at his deposition and at the hearing that although he wanted to set up a United States manufacturing facility, even if those plans proceeded, at least the first Enercon machines would be imported from Germany. FF II 37.

In September 1994, New World and Texas Utilities signed an energy purchase agreement which provides that unless agreed otherwise by the parties in writing, all wind turbines supplied by New World must be Enercon model E-40. FF II 39.

In October 1994, Mr. Kuhns, the CEO of New World, visited Mr. Wobben and Ms. Fromme in Germany. FF II

40. Although the parties had been discussing matters for some time, Ms. Fromme requested during the meeting that Mr. Kuhns prepare a document setting forth a more formal indication of New World's intent to purchase E-40 wind turbines. Consequently, Mr. Kuhn had drawn up and signed during the meeting a document dated October 17, 1994, which is captioned: "Purchase Order for 140 Enercon E 40 Wind Turbines for Texas and California." While Ms. Fromme may not have suggested use of the term "purchase order," she suggested the form of the document. The document states that New World "is pleased to confirm, subject to the conditions below, its purchase order for a total of 140 E-40 turbines." FF II 40-44.

With respect to the Big Spring, Texas project, the purchase order signed by Mr. Kuhns provides that NWP's purchase is conditioned upon the approval by the Texas Public Utilities Commission of the deal reached with Texas Utilities, and the confirmation of financing. FF II 45.

The existence of a contract between the parties for the sale of imported E-40 wind turbines is not dependent upon the existence of the October 17, 1994 purchase order from New World to Enercon. Indeed, there is no evidence that the document was intended to serve as an integrated writing that memorializes the extent of the agreement between the parties. Nevertheless, the purchase order should have been seen for what it was intended to be, which is written evidence directed to Enercon of New World's commitment to buy Enercon's E-40 wind turbines for the Big Spring, Texas project.

Respondents argue that the purchase order from New World for 140 E-40 wind turbines was signed only by Mr. Kuhns of New World, and that it was never accepted by Enercon. Quoting from *Foremost Pro Color, Inc. v. Eastman Kodak Co.*, 703 F.2d 534, 538 (9th Cir. 1983), *cert. denied*, 465 U.S. 1038 (1984), Respondents take the

position that such a purchase order is not an enforceable contract. Respondents' Post-Hearing Br. at 2-3.

The case relied on by Respondents does not diminish the significance of the purchase order. In *Foremost,* the Court of Appeals for the Ninth Circuit stated: "The weight of authority is that purchase orders such as those at issue here are not enforceable contracts until they are accepted by the seller." 703 F.2d at 538. However, the purchase order in this case is dissimilar to those at issue before the Ninth Circuit in *Foremost.*

Unlike the purchase orders in *Foremost,* the purchase order signed by Mr. Kuhn was not unsolicited. Rather, it was executed at Enercon's request to formalize and confirm the discussions that had already taken place between New World and Enercon. Furthermore, in *Foremost,* the Ninth Circuit, applying California law based on the U.C.C., stated that while a court is permitted to find an enforceable contract in the absence of a written agreement, the conduct cited by the plaintiff in that case was insufficient to find that a contract existed. The facts in this case even without the existence of the purchase order weigh heavily in favor of a finding that Enercon and New World agreed to the sale of E-40 wind turbines by Enercon to New World. The Purchase Order merely adds further weight to the evidence.

Respondents argue that because the October 17, 1994 purchase order contains unfulfilled conditions, there has been no sale.

Section 224 of the Restatement provides as follows:

> A condition is an event, not certain to occur, which must occur, unless its non-occurrence is excused, before performance under a contract becomes due.

Thus, for example, a contract may provide that the obligations of the parties are conditioned upon the buyer

obtaning financing. That is a classic case of contracting parties agreeing to qualify a duty under a contract. However, such conditions do not negate the formation of a contract. *See* Restatment § 224, comments a and c.

In this case, the fact that New World did not want Enercon's wind turbines if it could not use them in the Big Spring, Texas project, or could not pay for them, does not indicate that the parties failed to agree to the sale of the turbines. In view of the applicable law which allows contract formation even in the presence of conditions on the duties of the parties, such as the ability of the buyer to obtain financing, the conditions attached to the October 17, 1994 purchase order do not defeat the existence of a contract between New World and Enercon for the sale of wind turbines.

Furthermore, at least one of the conditions of the purchase order is now fulfilled, and the other may be completely or substantially fulfilled under the terms of the purchase order. Specifically, on February 23, 1996, the Texas Public Utilities Commission approved the energy purchase agreement between New World and Texas Utilities. FF II 53. In addition, New World has accepted a proposal from Chemical Securities to raise the capital needed to finance the Big Spring project. FF II 54. It is not clear from the record, however, whether Chemical Securities has in fact raised the needed capital.

Respondents also argue that there has been no sale, relying on the provision of the purchase order concerning price.

The October 17, 1994 purchase order states that: "The price of each E 40 shall be as mutually agreed between New World and Enercon, subject to being stipulated by November 30, 1994." It has not been shown that a price was stipulated by the parties by that date.

However, the U.C.C. provides that parties may conclude a contract for sale even though the price is not

settled, and further that the price will be determined to be a reasonable price at the time for delivery if the price is left to be agreed by the parties and they fail to agree. U.C.C. § 2-305.[3] At the hearing Mr. Wobben testified that Mr. Kuhns and he agreed that the prices would be determined at a later date.[4] FF II 47. In this case, the parties may have agreed at their October 1994 meeting to settle on a definite price by November 30, 1994, and may have failed to do so. Yet, there is no indication that the parties intended to halt their deal if the price was not settled by that date. The parties were planning to have Enercon ship its turbines to the United States even before Mr. Kuhn agreed to draw up his October 17, 1994 purchase order.

In fact, the events following the execution and receipt of the purchase order add further weight to a finding of a contract between the parties, as New World and Enercon continued to act in anticipation of the award of the Big Spring, Texas project and Enercon's participation in it.

Near the end of 1994, Enercon investigated the cost involved in shipping 25 E-40 wind turbines to Big Spring from Germany. FF II 49.

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[3] Although U.C.C. § 2-305 (Open Price Term) provides that in some cases the parties may intend not to be bound unless a price can first be fixed or agreed, in other cases, the parties can intend and "conclude a contract for sale even though the price is not settled." In such cases, the price is a "reasonable price at the time for delivery," if:

(a) nothing is said as to price; or

(b) the price is left to be agreed by the parties and they fail to agree; or

(c) the price is to be fixed in terms of some agreed market or other standard as set or recorded by a third person or agency and it is not so recorded.

[4] At a meeting in Germany, Mr. Wobben told Mr. Kuhns of New World Power that if New World wanted Enercon machines in Texas, Enercon would provide them on a cost effective basis. FF II 59.

On February 2, 1995, Ms. Martina Kuhlmann, Mr. Wobben's executive assistant, reported to Mr. Haller that Mr. Wobben directed Ms. Fromme to work with Westinghouse to prepare materials for the American Wind Energy Association ("AWEA") conference in March 1995. FF II 51.

A few weeks before the conference, Ms. Fromme provided a model of the E-40 for the New World/Westinghouse booth at the AWEA conference. Subsequently, the booth at the AWEA conference had one poster depicting the Enercon E-40, and another describing the Big Spring project and its expected use of E-40 wind turbines. FF II 52, 53.

3. Conclusion

Based upon the evidence on the issue of sale for importation, including the parties' writings and their conduct, the Administrative Law Judge finds that the evidence demonstrates, by more than a preponderance, that Respondents New Word and Enercon have entered into a contract for the sale and importation of accused devices. Therefore, there has been a "sale for importation" of accused devices as provided for in section 337.

B. Imminent Importation and the Prevention of Unfair Acts in Their Incipiency

Complainant and OUII argue that the Commission may issue a remedy against Respondents in this investigation because of the imminent importation of articles that allegedly infringe at least one of the patent claims at issue. In arguing that the Commission may take action against a respondent for the "imminent importation" of infringing goods, Complainant appears to argue that a sale for importation need not necessarily have occurred.

Prior to the amendment of section 337 by the Omnibus Trade and Competitiveness Act of 1988, the statute did not have the express "sale for importation" provision cur-

rently contained therein. Rather, the statute provided in pertinent part as follows:

> Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either . . . are declared unlawful . . . .

However, in cases arising under the former provisions of section 337, the Commission determined that it had the authority to prevent unfair acts prior to importation.

In *Certain Apparatus for the Continuous Production of Copper Rod*, Inv. No. 337-TA-89, a foreign respondent had entered into an agreement with a domestic respondent for the sale of a continuous copper rod system. At the time of the temporary relief phase of the investigation, only portions of the complete system for practicing the accused process had been delivered. The Commission found, however, that it had authority over the respondents and could issue relief, if otherwise required, because as in the case of the Federal Trade Commission Act, section 337 conferred upon the Commission the authority to reach unfair acts "in their incipiency."[5] 214 U.S.P.Q. 892, 895

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[5] In *Certain Steel Rod Treating Apparatus and Components Thereof*, Inv. No. 337-TA-97, 215 U.S.P.Q. 229, 234 (Comm'n Mem. Op., June 30, 1981), the Commission denied a respondent's interlocutory appeal of an order denying a motion to dismiss for lack of jurisdiction, holding that when an article is "constructively present by virtue of its sale and imminent importation," the requisite "minimum contacts" with the United States exist. The Commission's decision in *Steel Rod* addresses questions of *in personam* and *in rem* jurisdiction. The decision does not appear to address questions concerning the limits of subject matter jurisdiction under section 337, nor does it address the question of whether section 337 provides a remedy for circumstances in which there has not been at least a sale for importation. As far as the Administrative Law Judge's Recommended Determination of violation in *Steel Rod* is concerned, Complainant acknowledges that a domestic respondent had entered into an agreement with a foreign respondent for the sale of the accused article. Complainant's Post-Hearing Br. at 29 (citing *Steel Rod*, Recommended Determination (Aug. 18, 1981)).

(Comm'n Op. 1980) (citing *Fashion Originators Guild v. FTC*, 312 U.S. 457 (1941)). Indeed, the Commission based its decision in part on the earlier statement of the Senate Finance Committee that: "The provision relating to unfair methods of competition in the importation of goods is broad enough to prevent every type and form of unfair practice . . . ." 214 U.S.P.Q. at 895 (citing S. Rep. No. 595, 67th Cong., 2d Sess. (1922)).

However, no party has cited a case in which the Commission recognized its authority to take action against a respondent for the incipient or imminent importation of goods when there has been no sale for importation.

In changing the wording of the statute in 1988 to its present form, it is clear that Congress did "not intend to change the interpretation or implementation of current law as it applies to the importation or sale of articles that infringe certain U.S. intellectual property rights." H.R. Conf. Rep. No. 576, 100th Cong. 2d Sess. 633 (1988). In fact, the 1988 amendments were intended to strengthen the statute's effectiveness in addressing the problems caused by the importation of goods that infringe U.S. intellectual property rights. S. Rep. 71, 100th Cong., 1st Sess. 128 (1987). By including "sale for importation" as a specifically proscribed act, Congress did not intend to retreat or limit the Commission's authority to reach unfair acts in their incipiency, which was present in the prior law.

Presumably, there could be an imminent importation without a sale, for example, in the case of a single respondent that already owns a stock of infringing goods overseas and is threatening to bring the goods into the United States in short order. However, the issue as to whether and to what extent the Commission could act against such a respondent need not be answered in this case. In this case, there is a domestic respondent that has contracted for the sale of foreign goods (the Enercon E-40) to the Texas Utility Commission, that does not

have the ability to import the accused products except through the purchase of goods from a foreign respondent.[6] One need not reach the question of the Commission's ability to reach unfair acts in their incipiency without a sale for importation, since it has been demonstrated that a sale for importation has taken place, in satisfaction of the plain language of the statute as it is currently written.

* * * *

FINDINGS OF FACT

* * * *

II. SALE FOR IMPORTATION AND IMPORTATION

1. Mr. Aloys Wobben is the owner and manager of Respondent Enercon. He is the design manager of the E-30 and E-40 model wind turbines. Wobben, Tr. 220-221.

2. Ms. Juanita Fromme is the head of Enercon's export division. CPX-11C (First Fromme Dep.) at 8; Wobben, Tr. 301.

3. Mr. John Kuhns founded New World and became its chairman and chief executive officer. Mr. Kuhns has a B.A. from Georgetown University, an M.A. in fine arts from the University of Chicago, and an M.B.A. from Harvard's business school. After receiving his M.B.A., Mr. Kuhns joined the finance department at Salomon Brothers, where he worked on financing for electric utilities. CPX-9C (Kuhns Dep.) at 7-9, 14, 20-21. Mr. Wobben knows Mr. Kuhns as a shareholder of New World, and its decision maker. Wobben, Tr. 261.

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[6] Although Enercon's owner and manager is now uncertain as to Enercon's ability to export its E-40 wind turbines into the United States due to pending litigation, the evidence does not support a conclusion that Enercon will refrain from sending the accused products into the United States absent a remedy from the Commission or a court. FF II 60-61.

4. Mr. Brian Clare Lees, until late last year, was president of New World's grid power division. He was the head of New World's wind farm operations, *i.e.*, the building and operating of New World's wind farms. CPX-7C (Lees Dep.) at 1, 8; CPX-9C (Kuhns Dep.) at 28.

5. Mr. Clint "Jito" Coleman is New World's chief technology officer. He is involved in, and often makes recommendations, with respect to the technological direction of the company. CPX-8C (Coleman Dep.) at 6-7; CPX-9C (Kuhns Dep.)at 26-27.

6. On August 18, 1993, Mr. Wobben and Ms. Fromme made an offer to Clare Lees of New World Power for the sale of 100 E-40 wind turbines at a price of [ ] per machine to be delivered on the west coast of the United States. X-123C; Wobben, Tr. 366.

7. In August 1993, Respondent Enercon in a document signed by Mr. Wobben and Ms. Fromme, wrote to Respondent New World, to thank NWP for an inquiry, and to state that Enercon would "like to offer" 100 E-40 wind turbines to NWP. It was stated that the "offer is valid until March 31st 1994." Included in the correspondence was a price quotation. X-123C; Order No. 18 at 8-9.

8. The August 18, 1993 offer was made in response to a request to Ms. Fromme from Mr. Lees for a price on 100 E-40 wind turbines. CPX-7C (Lees Dep.) at 36.

9. Mr. Lees probably requested the price quotation because New World was considering a bid on a project in Washington. New World did not pursue that project. New World was also considering a number of other possible projects at the time he made his request to Ms. Fromme for a price quotation. CPX-7C (Lees Dep.) at 36-37.

10. The August 18, 1993 offer sets forth terms of payment and terms of delivery for a site in the western United States. The site was located in the state of Washington. X-123C; Wobben, Tr. 366.

11. On September 20, 1993, John Kuhns and Clare Lees traveled to Aurich, Germany to meet with Mr. Wobben and Ms. Fromme. In a letter confirming travel arrangements, Ms. Fromme indicated to Mr. Lees that they would discuss "your project." X-122C.

12. During the September 20, 1993 meeting, Mr. Wobben and Mr. Lees discussed the advantages of the E-40 technology, including the ability of the grid management system to control power factor. Wobben, Tr. 367-368; CPX-7C (Lees Dep.) at 31.

13. On February 10, 1994, Messrs Lees and Kuhns of NWP, accompanied by Mr. Mickey Craig of Westinghouse, met with Mr. Wobben in Germany. CPX-7C (Lees Dep.) at 48; CPX-21C (Second Wobben Dep.) at 90-91.

14. Westinghouse is a shareholder in New World, and has a member on NWP's board of directors. Westinghouse and New World have a business alliance, under which Westinghouse will serve at NWP's construction manager on certain projects, including the project at Big Spring, Texas. CPX-9C (Kuhns Dep.) at 30-31, 117-118, 142; CPX-7C (Lees Dep.) at 20; X-95C; X-51C.

15. Mr. Mark Haller began working for Enercon in mid-February, 1994. CPX-6C (Haller Dep.) at 25. Mr. Haller reported to Mr. Wobben and Ms. Fromme. Wobben, Tr. 301-302.

16. Mr. Haller's office is the U.S. sales office of Enercon. Wobben, Tr. 369.

17. In a letter dated February 15, 1994, Ms. Fromme thanked Mr. Kuhns for the February 10 visit and stated "We once again would like to point out that we will be prepared to fulfill your requirements starting in 1995 as discussed and are looking forward to a most fruitful and long-term relationship with you and your organization." X-148C.

18. In a telefax message dated February 16, 1994, Ms. Fromme informed Mr. Haller of the "pricedetails

[sic] as discussed on February 10th, 1994 . . . ." The price structure included 100 E-40 wind turbines at [ ] each. The "[p]rices are to be understood ex factory—at present Germany." The message also mentioned the fact that Mr. Wobben had already informed Mr. Haller "on our future plans regarding John Kuhns and his organization." X-126C.

19. Enercon quoted a price to New World in connection with the Texas Utilities project in Big Spring, Texas. The price quoted by Enercon was passed on to Mr. Michael Best, executive vice president of New World. CPX-10C (Best Dep.) at 105-106; CPX-9C (Kuhns Dep.) at 27-28. He is executive vice president in charge of project financing. CPX-9C (Kuhns Dep.) at 27.

20. Mr. Best is the person responsible for overseeing the "business package" for bids New World has submitted on domestic wind energy projects. CPX-10C (Best Dep.) at 36.

21. The price quoted in connection with the Texas Utilities project was the same price quoted in connection with the project in the state of Washington. CPX-7C (Lees Dep.) at 56; X-101C.

22. On February 28, 1994, New World submitted its bid for the Texas Utilities project in Big Spring, Texas. In the bid, New World stated its intention to use Enercon E-40 machines. X-94C.

23. On March 14, 1994, Mr. Haller reported to Mr. Wobben and Ms. Fromme that Mr. Lees and Mike Best of New World wanted Mr. Haller to attend a meeting with Texas Utilities representatives to discuss the bid for the Big Spring, Texas project. Mr. Haller was encouraged by Enercon's headquarters to attend the meeting. X-134C; CPX-21C (Second Fromme Dep.) at 71-72.

24. On April 8, 1994, Mark Haller reported to Mr. Wobben and Ms. Frommee that he and representatives of New World and Westinghouse had met with members of Texas Utilities. X-14C.

25. When Mr. Haller visited with Texas Utilities, he answered technical questions, including questions about the ability of the E-40 to control power factor. CPX-6C (Haller Dep.) at 66-67.

26. Mr. Haller often wrote to Ms. Juanita Fromme at Enercon. Ms. Fromme is Mr. Haller's conduit to Enercon generally, and to Mr. Wobben in particular. CPX-6C (Haller Dep.) at 259-260.

27. In early May, 1994, Mr. Wobben, Ms. Fromme and Mr. Haller of Enercon met with Mr. Kuhns and Mr. Lees of New World at the headquarters of New World in Lime Rock, Connecticut to discuss future activities in the United States, including the Texas Utilities project. Wobben, Tr. 371-372; X- 207C.

28. On May 30, 1994, Mr. Haller reported to Mr. Wobben and Ms. Fromme that an E-40 would be subject to customs duty of 4.2% upon its importation into the United States. Wobben, Tr. 372; X-13C.

29. On June 1, 1994, Mr. Haller reported in a memorandum to Enercon that it appeared the entire Texas Utilities bid would be awarded to New World Power. He stated in part, as follows:

> Congratulations are probably already in order for an eighty machine sale! Ausgezeichnet! *Now we have to deliver them.*

X-12C (emphasis added).

30. On June 3, 1994, Mr. Haller reported in a memorandum sent by facsimile to Ms. Fromme that the entire 40 megawatt Texas Utilities project had been awarded to New World. He stated in part, as follows:

> The good news is that all of it went to New World. No one else. Forty megaWatts to *NWP/Westinghouse/Enercon. We* won!

* * *

> Also, TU has sent letters to the nine other companies that bid and announced to them that it is *NWP/Enercon*. By Monday, the entire industry will know.

X-83C (emphasis added); CPX-6C (Haller Dep.) at 259-260; X-192C; E001948-E001949.

31. In response to Mr. Haller's memorandum of June 3, 1994, Ms. Fromme conveyed Enercon's elation at hearing the news, and congratulations and thanks. X-192C, E001949.

32. Mr. Haller stated that the award of the Texas Utilities bid meant that congratulations were in order for an "eighty-machine sale." X-12C.

33. Mr. Haller reported the news of the Texas Utilities award to Ms. Fromme because she was Mr. Haller's conduit to Mr. Wobben. CPX-6C (Haller Dep.) at 260.

34. On July 22, 1994, there was a meeting of representatives of Enercon, New World and Westinghouse in Bremen, Germany. Messrs. Wobben and Haller and Ms. Fromme attended on behalf of Enercon, and Messrs. Kuhns, Lees and Coleman attended on behalf of New World. Messrs. Mickey Craig and Hiener Moller attended on behalf of Westinghouse. X-62C.

35. Mr. Jito Coleman of New World took notes at the meeting in Bremen. In an August 4, 1994 memo to Ms. Fromme, Mr. Haller characterized Mr. Coleman's notes as accurate. X-84C; CPX-6C (Haller Dep.) at 260-261.

36. Mr. Coleman's notes of the Bremen meeting state that the inverters of the E-40 are to come from Germany. X-84C.

37. Mr. Wobben testified in his deposition and at the hearing that even if a U.S. manufacturing facility is established to supply wind turbines to the Big Spring, Texas project, at least the first Enercon machines in the United States will be imported from Germany. CPX-4C (First

Wobben Dep.) at 710-711; CPX-20 (Second Wobben Dep.) at 99, 105, 108; Wobben, Tr. 373-374.

38. In August, 1994, Mr. Haller reported to Ms. Fromme that he understood that the Texas bid was based on price quotes that Enercon had supplied New World in connection with the Washington bid in 1993. X-101C.

39. New World and Texas Utilities signed an energy purchase agreement in mid-September, 1994 that provides that unless agreed otherwise by both parties in writing, all wind turbines in the Renewable Resource Facility must be Enercon model E-40, 500 kW wind turbines. X-9, Art. 1.01.

40. In October, 1994, Mr. Kuhns visited Mr. Wobben and Ms. Fromme in Germany. CPX-9C (Kuhns Dep.) at 128.

41. At this meeting, Ms. Fromme requested that Mr. Kuhns prepare a document setting forth a more formal indication of New World's intent to purchase E-40 wind turbines. The parties had been discussing matters for some time, and Ms. Fromme wanted a more formal indication. Although Ms. Fromme may not have specifically suggested use of the term "purchase order," she suggested the form of the document. CPX-9C (Kuhns Dep.) at 130-131.

42. The document drawn up during the October 1994 meeting is captioned "PURCHASE ORDER FOR 140 ENERCON E 40 WIND TURBINES FOR TEXAS AND CALIFORNIA" and is dated October 17, 1994. X-51C.

43. The document states that New World "is pleased to confirm, subject to the conditions below, its purchase order for a total of 140 E-40 turbines." X-51C.

44. In October 1994, the CEO of Respondent NWP, Mr. Kuhns, visited Respondent Enercon in Germany, at which time he signed a "Purchase Order for 140 Enercon

E 40 Wind Turbines For Texas and California." Order No. 18 at 9; X-51C.

45. The purchase order states that: "The price of each E 40 shall be as mutually agreed between New World and Enercon, subject to being stipulated by November 30, 1994." With respect to the Big Spring project, the document provides that New World's purchase of the E-40's in question is conditioned upon: 1) approval of the New World-Texas Utilities power purchase agreement by the Texas Public Utilities Commission and 2) confirmation of financing. X-51C.

46. Upon the occurrence of these events, New World would convert the document "to a firm, non-conditional purchase order." The document further provides that the final price shall be mutually agreed between New World and Enercon. X-51C.

47. At the hearing Mr. Wobben testified with respect to his October 1994 meeting in Germany with Mr. Kuhns as follows:

> Q And should we also assume that you and he agreed that the prices would be determined at a later date?
>
> A Yes, because I could not give him a price at that time because we were just beginning to consider manufacturing in the United States.

Wobben Tr. 328.

48. Shortly after New World submitted its conditional purchase order to Enercon, Mr. Best provided Mr. Wobben, "per your discussion with John Kuhns," a copy of New World's total project budget for Texas. X-194C.

49. Near the end of 1994, Enercon investigated the costs involved in shipping twenty-five E-40's to Big Spring from Germany. X-79C.

50. In a memorandum to Ms. Fromme dated January 3, 1995, Mr. Haller characterized Big Spring as one of the "expected deliveries" for 1995. X-81C.

51. On February 2, 1995, Ms. Martina Kuhlmann, Mr. Wobben's executive assistant, reported to Mr. Haller that Mr. Wobben had directed Ms. Fromme to work with Westinghouse in the preparation of materials for the American Wind Energy Association conference in March, 1995. X-80C at E001405; CPX-21C (Second Wobben Dep.) at 129-130.

52. A few weeks before this conference, Ms. Fromme provided a model of the E-40 for the New World/Westinghouse booth. CPX-20C (Second Fromme Dep.) at 86-88; SPX-6C.

53. The booth depicted two posters. One of the posters depicted the Enercon E-40, and another described the Big Spring project and its expected use of E-40 machines. SPX-6C; SPX-9.

54. On February 23, 1996, the Texas Public Utilities Commission approved the energy purchase agreement between New World and Texas Utilities. CX-136.

55. New World has accepted a proposal from Chemial Securities—a securities dealer firm owned by Chemical Bank—to raise the capital needed to finance the Big Spring project. CPX-9C (Kuhns Dep.) at 88-89; CPX-10C (Best Dep.) at 171-173.

56. Mr. Kuhns, of New World, testified at his deposition in part, as follows:

> Q. What is the status of financing for the TU Big Spring project?
>
> A. We have a proposal which we have accepted from Chemical Bank to finance the project, and they are qualifying participants now on the equity side, and they have committed to make loans on the debt side.

Q. Are they helping to provide all the financing needed for the project?

A. They are going to provide all the financing needed. That's what their proposal offers.

Q. And when was this arrangement with Chemical Bank concluded?

A. I think our board accepted their proposal at our last board meeting, which was the 25th of July, I guess. Is that right? Yes. It was a couple weeks ago.

CPX-9C (Kuhns Dep.) at 88-89.

57. New World is prepared to convert the proposal of Chemical Securities to a firm commitment upon approval of the Big Spring project by the Texas Public Utilities Commission. CPX-10C (Best Dep.) at 172.

58. Mr. Haller, with Mr. Wobben's knowledge, arranged to have an Enercon videotape shown at the 1995 AWEA conference. CPX-21 (Second Wobben Dep.) at 133-134.

59. At a meeting in Aurich, Mr. Wobben told Mr. Kuhns of New World Power that if New World wanted Enercon machines in Texas, Enercon would provide them on a cost effective basis. Mr. Wobben's statement may have been based on the assumption that manufacturing could commence in the United States. Wobben, Tr. 300-301.

60. Mr. Wobben testified at his deposition that he would not agree to refrain from importing because it would deprive him of a degree of freedom. CPX-21 (Second Wobben Dep.) at 123-124.

61. During the hearing, Mr. Wobben testified that the actions pending against him at the Commission and in District Court have caused him "to stop everything while these actions were still underway. . . ." He testified that: "I first want to see what is the outcome of these actions, legal actions." Wobben, Tr. 258-259.

* * * *

APPENDIX F

PUBLIC VERSION

UNITED STATES INTERNATIONAL
TRADE COMMISSION
Washington, D.C.

Investigation No. 337-TA-376

IN THE MATTER OF
CERTAIN VARIABLE SPEED WIND TURBINES
and COMPONENTS THEREOF

Order No. 11: *Denying Respondents' Motion to Terminate the Investigation*

On July 11, 1995, Respondents The New World Power Corp. ("NWP") and Enercon GmbH ("Enercon") filed a motion pursuant to 19 C.F.R. § 210.21 for termination of this investigation, and a memorandum in support thereof. Motion Docket No. 376-4.

On July 19, 1995, Complainant Kenetech Windpower, Inc. filed an opposition to Respondents' motion to terminate.

On July 21, 1995, the Commission investigative staff of the Office of Unfair Import Investigations ("OUII") filed a response in opposition to Respondents' motion to terminate.

On July 21, 1995, Respondents filed a motion seeking, *inter alia*, to strike Complainant's opposition to Respondents' motion to terminate. Motion Docket No. 376-7.

On July 31, 1995, Complainant filed an opposition to Respondents' motion to strike.

Respondents' Motion No. 376-7 to strike is DENIED.

This investigation was instituted pursuant to section 337 of the Tariff Act of 1930, as amended, and 19 C.F.R. § 210.20 to determine whether there is a violation of section 337(a)(1)(B) in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain variable speed wind turbines and components thereof, by reason of alleged infringement of claim 131 of U.S. Letters Patent 5,083,039 or claim 51 of U.S. Letters Patent 5,225,712, and whether there exists an industry in the United States as required by subsection (a)(2) of section 337. 60 Fed. Reg. 28167 (1995).

Respondents take the position in their motion to terminate that this investigation "was instituted on the basis of sheer speculation and innuendo about the all-important and controlling jurisdictional facts of importation of allegedly infringing articles into the United States and/or sale for the purpose of such importation." Respondents' Mem. at 1. Based in part upon a declaration of Enercon's Managing Director, Respondents argue that there has been no importation of any accused wind turbines into the United States, and that Enercon has not entered into a contract for sale of accused articles after importation.

The Complaint and other materials contained in the pleadings record of the instant motion show that there is more than mere speculation or innuendo behind the institution of this investigation.

There appears to be no dispute that at present all Enercon E-40 wind turbines are made by Enercon in Germany. The Complaint is based in part on an agreement between Respondent NWP and the Texas Utilities Electric Company under which NWP has agreed to install in Texas model E-40 wind turbines made by Respondent Enercon. *See* Complaint at 6 and Exhibit 11 thereto.

Furthermore, Respondents rely in part on a "Purchase Order for 140 Enercon E 40 Wind Turbines for Texas and California." Respondents' Mem. Ex. A. Respondents argue that it does not evidence a sale or importation, and is at best a letter of intent. Respondents' Mem. at 7. However, on its face the Purchase Order is what it purports to be. It is not possible to find otherwise based on the facts available in connection with the motion to terminate.

In addition, although Enercon has stated that it currently has no plans to import, information has been set forth by Complainant and OUII to the contrary. *See* Complainant's Opp. at 3 and documents cited therein; OUII Resp. at 3-4.

In *Amgen, Inc. v. United States Int'l Trade Comm.*, 901 F.2d 1532 (Fed. Cir. 1990), the Court of Appeals for the Federal Circuit stated, as follows:

> As is very common in situations where a tribunal's subject matter jurisdiction is based on the same statute which gives rise to the federal right, the jurisdictional requirements of section 1337 mesh with the factual requirements necessary to prevail on the merits. In such a situation, the Supreme Court has held that the tribunal should assume jurisdiction and treat (and dismiss on, if necessary) the merits of the case.

901 F.2d at 1536 (footnote omitted) (citing, *inter alia*, *Bell v. Hood*, 326 U.S. 678, 682 (1946)).

Thus, the Federal Circuit held that an investigation was improperly dismissed on the basis of lack of jurisdiction, as follows:

> [O]n its face the complaint came within the jurisdiction of the Commission. The fact that [Complainant] was later unable to sustain these allegations is not material to the issue of *jurisdiction*. We hold that the Commission should have assumed jurisdic-

> tion, and, if the facts indicate that [Complainant] cannot obtain relief . . . the Commission should have dismissed on the merits.

901 F.2d at 1536 (emphasis on original).

In this instance, it can be said that at a minimum the Complaint clearly comes within the jurisdiction of the Commission. The Administrative Law Judge therefore finds based upon Respondents' motion to terminate and the pleadings filed in connection therewith that this investigation should not be terminated for lack of jurisdiction.

It has come to the attention of the Administrative Law Judge through pleadings filed by Respondents in connection with discovery motions that since the filing of Respondents' motion to terminate, discovery has occurred on issues relevant to the alleged sale for importation of accused devices. Therefore, Respondents may find it appropriate to file promptly a motion under the Commission's Rules seeking a summary determination on the merits of no sale for importation, no importation, or no sale after importation of accused devices.[1]

Accordingly, Respondents' Motion No. 376-4 to terminate this investigation is DENIED.[2]

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[1] It should be noted that the Administrative Law Judge does not at this juncture find any reason why a motion for summary determination should further delay production of requested documents or other discovery in this investigation. Further, the alleged dangers of disclosure posed by the production of Enercon documents under the Protective Order in this investigation (which Enercon has recently described in connection with various motions concerning discovery) are not buttressed by any convincing facts. The entire history of the Protective Order regime at the Commission has heretofore shown that the Protective Order serves to guarantee the protection of confidential business information.

[2] The Commission's Rules require that certain motions, including motions to terminate and motions for summary determination, be denied by Order. 19 C.F.R. § 210.42(c).

Any party seeking to have any portion of this document deleted from the public version thereof must submit to this office by October 26, 1995, a copy of this document with red brackets indicating which portion is asserted to contain confidential business information.

/s/ Sidney Harris
SIDNEY HARRIS
Administrative Law Judge

Issued: October 19, 1995

APPENDIX G

STATUTORY PROVISION INVOLVED

19 U.S.C. § 1337(a)

(a) *Unlawful activities; covered industries; definitions.*—

(1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:

(A) Unfair methods of competition and unfair acts in the importation of articles (other than articles provided for in subparagraphs (B), (C), and (D)) into the United States, or in the sale of such articles by the owner, importer, or consignee, the threat or effect of which is—

(i) to destroy or substantially injure an industry, in the United States;

(ii) to prevent the establishment of such an industry; or

(iii) to restrain or monopolize trade and commerce in the United States.

(B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that—

(i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under title 17, United States Code; or

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

(C) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946.

(D) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of a semiconductor chip product in a manner that constitutes infringement of a mask work registered under chapter 9 of title 17, United States Code.

(2) Subparagraphs (B), (C), and (D) of paragraph (1) apply only if an industry in the United States, relating to the articles protected by the patent, copyright, trademark, or mask work concerned, exists or is in the process of being established.

(3) For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, or mask work concerned—

(A) significant investment in plant and equipment;

(B) significant employment of labor or capital; or

(C) substantial investment in its exploitation, including engineering, research and development, or licensing.

(4) For the purposes of this section, the phrase "owner, importer, or consignee" includes any agent of the owner, importer, or consignee. (102 Stat. 1212 (1988))